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United Nations Industrial Development Organization

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# Industrial Development Board

Eighth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 1 July 1991, at 10 a.m.

Temporary President: Mr. LONSMANN POULSEN (Denmark)
President: Mr. TOFIGH (Islamic Republic of Iran)

CONTENTS


| Agenda item | | Paragraphs |
|---|---|---|
| 1 | Opening of the eighth session | 1 - 2 |
| 2 | Election of officers | 3 - 8 |
| 3 | Adoption of the agenda for the eighth session | 9 - 12 |
| - | Statement by the Director-General | 13 - 25 |
| - | Organization of work | 26 - 33 |
| 4 | Annual report of the Director-General for 1990 on the activities of the Organization | 34 - 82 |


The meeting was called to order at 10.05 a.m.

OPENING OF THE EIGHTH SESSION

1. The TEMPORARY PRESIDENT declared open the eighth session of the Industrial Development Board.

2. He said he hoped that, at the present session, the members of the Board would continue to display the spirit of cooperation which had prevailed at previous sessions. Multilateral endeavour was a process of give and take. He believed firmly in the principle of decision by consensus, but it should not be followed so slavishly that indecisiveness resulted and action was inhibited.

ELECTION OF OFFICERS

3. The TEMPORARY PRESIDENT said that he had received the following nominations: that of Mr. Ali Tofigh (Islamic Republic of Iran) as President; those of Mr. Yury Vassilievich Kostenko (Ukrainian Soviet Socialist Republic), Mr. Manuel Constenla (Costa Rica) and Mrs. Mervat Tallawy (Egypt) for the three posts of Vice-President; and that of Mr. Rolf Schröder (Germany) for the post of Rapporteur. If he heard no objection, he would take it that the Board agreed to those nominations.

4. The President, Vice-Presidents and Rapporteur nominated were elected by acclamation.

5. Mr. Tofigh (Islamic Republic of Iran) took the Chair.

6. The PRESIDENT thanked delegations for the confidence they had shown in him and the other members of the Bureau. He commended the outgoing President and Bureau for their achievements during the previous two years.

7. UNIDO had been pursuing its mandate to promote and accelerate the industrialization of the developing countries since 1967. After its conversion into a specialized agency, the expectations placed in it by developing countries had risen and the tendency for them to look to the Organization for technical assistance had grown. There had been two reasons for that. One had been the tremendous investment made in the Organization by its Members, giving UNIDO a fully-fledged structure through which developing countries could

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obtain expertise, training and information. The other had been the esteem it enjoyed because of its non-profit-making character, its independent and unbiased approach to the choice of development alternatives and its respect for the safety and environmental aspects of industrialization.

8. It now faced the problem of the impact on its work of changes in UNDP policies. It could no longer rely on UNDP providing financial resources for its delivery of technical assistance to developing countries in the industrial sector. It had to think about a new strategy that would enable it to maintain an active presence in the field. The best way of ensuring that would be through the use of trust funds, a mechanism that should enable UNIDO to meet developing countries' requirements and strengthen their belief in its capacity to further their economic and industrial development. The Organization's new approach to its task would necessitate a reorganized structure whereby it could improve and implement the policies needed for the industrialization of the third world. The issue of restructuring had been discussed at length and was ripe for decision. He invited all members of the Board to cooperate in reaching practical decisions on the items on its agenda, and in particular in expediting a decision on the restructuring of the Organization, so as to preserve the motivation of its staff.

ADOPTION OF THE AGENDA FOR THE EIGHTH SESSION (IDB.8/1 and Add.1)

9. The PRESIDENT invited the Board to consider the provisional agenda proposed in document IDB.8/1. It contained a number of supplementary items and sub-items proposed by the Director-General for inclusion in the agenda. The reasons for their inclusion were explained in the annotated provisional agenda (IDB.8/1/Add.1).

10. Mr. BOKONGA (Zaire), speaking on behalf of the African group of countries, said that the Board should postpone its consideration of item 8, concerning the Second Industrial Development Decade for Africa, until after the tenth meeting of the Conference of African Ministers of Industry had taken place at the end of the month. At present it did not have sufficient information to discuss the matter fully.

11. Mr. SIAZON (Director-General) said that the subject might be discussed at a resumption of the eighth session if that proved necessary. He felt, however, that it would be helpful for the Board to hear straight away about the progress which had been achieved in implementing the first Industrial Development Decade for Africa (IDDA) and about the measures proposed for the Second IDDA, and to make suggestions on the matter to the tenth meeting of the Conference of African Ministers of Industry. The conclusions which the Conference reached could be taken up at a resumption of the Board's eighth session and passed on to the fourth session of the General Conference of UNIDO.

12. The agenda contained in document IDB.8/1 was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

13. Mr. SIAZON (Director-General) said that, whatever the immediate agenda of the session, the Board's ultimate concern must be with the enhancement of the quality of human life in a world where millions lived in abject poverty, suffered from malnutrition and illiteracy and lacked basic health services. Although, viewed against the enormous challenges, UNIDO's role must seem minuscule, the Organization did contribute, within its fields of competence, to economic growth and improved living standards in the developing countries.

14. Technical cooperation delivery in 1990 had shown an increase of 19 per cent over 1989. The upward trend continued, with a delivery of $86.5 million in the first five months of 1991, some 9 per cent more than during the same period of the previous year. The upsurge in industrial investment promotion was even more pronounced, with successful promotion by UNIDO of 699 million dollars' worth of investment in 1990 as against 556 million in 1989 - an increase of 26 per cent. In Latin America, the level of UNIDO-promoted investment had reached its highest level ever.

15. Recent regional initiatives were bearing fruit. The regional programme for the industrial automation of the capital goods sector in Latin America, backed by $8.9 million from six donor countries and designed for and with the private sector, would be launched very soon in Caracas, Venezuela. At the end of July, the Conference of African Ministers of Industry would meet in Dakar, Senegal, to discuss, inter alia, the programme for the Second Industrial Development Decade for Africa which had been derived from programmes drawn up by the countries themselves. UNIDO had contributed to that programme in cooperation with Governments, the Economic Commission for Africa (ECA) and the Organization of African Unity (OAU), and with such partners as UNDP, the World Bank and the African Development Bank. That close cooperation not only ensured the viability of the programme, but it also secured the commitment of Member States to its implementation.

16. All that underscored the commitment of the Secretariat to do its level best, even under the most difficult of circumstances. Cash-flow problems continued to haunt UNIDO. No respite from the Organization's financial difficulties could be foreseen as long as Member States failed to honour the obligations which they had willingly assumed. Unless Member States complied with financial regulation 5.5 (b), the effective and efficient implementation of approved programmes was extremely difficult. He was, however, pleased to inform the Board that the Government of Japan was now making the schilling portion of its contribution available.

17. By mid-May of the current year, unpaid assessed contributions for 1986-1990 had amounted to the equivalent of $23.53 million, or 28 per cent of the 1991 assessment. When the unpaid contributions for 1991, at $53.14 million at the end of May, were added, the total amount of unpaid contributions came to no less than $76.67 million, close on 91.2 per cent of the 1991 assessment. The seriousness of the situation was underscored by the startling fact that, as at 26 June 1991, 47 Member States had lost their voting rights through failure to pay their assessed contributions. The critical nature of the situation explained why authority had repeatedly been sought to use the unutilized balances of appropriations from earlier bienniums.

18. However efficient an organization tried to be, it could not function properly if persistently

denied the resources due to it. He recalled the findings of the Stockholm Initiative on Global Security and Governance on the financial crisis of the United Nations. Indeed, as he saw it, honouring financial commitments to the Organization went hand in hand with the right to air views, critical or otherwise, about its activities.

19. Member States could show their support for UNIDO not only by fulfilling their financial obligations, but also by acting swiftly on a number of outstanding problems, including the programme and budgets for the next biennium, the Organization's computerization programme and the reform of its organizational and staff structure. In his present statement, he would deal mainly with those three issues, and he would cover others in a written statement to be circulated, obviating the need for item-by-item introductions during the session.

20. Restructuring was an issue that must be decided upon during the current year if the Organization was to remain relevant and responsive in a changing global environment. A spirit of reform and renewal had seized the United Nations system as a whole; failure to grasp the present opportunity would render UNIDO largely incapable of fulfilling its mandate. The proposal in document IDB.8/45 was a refinement of the structure proposed in document IDB.7/33, and reflected the comments of Member States as expressed during the seventh session of the Board and in informal consultations, as well as the basic considerations of the Open-ended Working Group established by the Board.

21. The decision on successor arrangements taken at the last session of the Governing Council of UNDP reinforced the need for a restructuring that would strengthen UNIDO's technical thrust. In the near future, there would be a marked shift towards sectoral analysis, policy advice and other programme-level work as administrative and operational services to technical cooperation projects diminished in importance. The changed nature of the services to be provided by UNIDO as a specialized agency had in fact been anticipated in the new organizational and staff structure proposed. Similarly, although the full implications of the decision had yet to be worked out, it would appear that the assumptions relative to the operational income made during the formulation of the Organization's budget for the next biennium were still valid.

22. The proposal provided for only one Deputy Director-General. The decision regarding the number of deputy directors-general and the allocation of departments to them rested exclusively with Member States, but for his part he maintained that, given the size and functions of UNIDO, one deputy director-general would suffice.

23. The computerization programme of the Organization had been the subject of extensive formal and informal discussion in recent months and had featured prominently at the recent resumed session of the Programme and Budget Committee, which had been presented with a financing proposal showing how the costs of the programme recommended by a team of consultants could be absorbed within the budgetary estimates proposed earlier. The importance of electronic data-processing for the delivery of technical cooperation could not be overemphasized: close on 52 per cent of UNIDO's mainframe time was currently devoted to the programming and delivery of technical cooperation and other mandated substantive activities. He knew that some delegations had misgivings about the consultants' report, but rejection of the revised programme would mean higher costs since a non-decision at the present time would entail continuing payment of existing contractual obligations under a programme whose cost had been estimated by the consultants at some $47 million over the period 1989-1995. Under those circumstances, the savings and improvements identified could not be realized. An early decision, which would on balance serve the best interest of UNIDO, would enable the issue finally to be put to rest and permit attention to be focused on the business of industrial development.

24. The most practical basis for moving forward in the immediate future would have been the adoption of the programme and budgets for the next biennium. It was thus most distressing that the specially convened resumed session of the Programme and Budget Committee had failed to reach agreement on that matter. The Secretariat had trimmed the budget to the bone, with a reduction of $5.7 million in the regular budget and of $521,000 in the operational budget. Those adjustments left practically no room for contingencies. Furthermore, the lack of a clear understanding on the programme and budgets for 1992-1993 introduced a strong element of uncertainty in the work of the Organization; it would put ongoing programmes at risk and negatively affect staff morale. He trusted that the Programme and Budget Committee would bear those considerations in mind when it took the matter up again in August. In order to facilitate the adoption of the budget, the Secretariat would endeavour, to the extent possible, to take account of the views expressed during the Committee's first resumed session in preparing revised proposals, although, given the divergence of views, the task would be far from easy.

25. In concluding, he expressed the conviction that, despite the many problems facing the Organization, the spirit of accommodation and mutual understanding that had helped it overcome past difficulties would once again prevail. While present problems could not be ignored or wished away, they could be faced squarely and concrete action could be taken to resolve them. It would then be possible to look towards the future, secure in the belief that UNIDO stood on firm foundations. He wished the Board every success in its deliberations.

ORGANIZATION OF WORK

26. The PRESIDENT drew attention to the tentative schedule of work for the session which had been agreed upon at the meeting of heads of delegations preceding the present plenary meeting, and circulated as an informal paper. It was understood that, should the debate on an item be completed earlier than scheduled, the next item listed would be taken up immediately.

27. The proposed tentative schedule of work was approved.

28. The PRESIDENT suggested that, to achieve economies and ensure the effective utilization of conference-servicing resources, the Board might wish to suspend the quorum requirement laid down in rule 32 of the rules of procedure, as it had done at previous sessions. Under rule 80 of the rules of procedure, that decision could take

effect immediately, without the prescribed 24 hours' notice, if no member objected. If he saw no objection, he would take it that the Board wished to suspend, for its eighth session only and with immediate effect, rule 32 of the rules of procedure on the understanding that the measure would apply only to meetings at which no substantive decision was to be taken.

29. It was so decided.

30. The PRESIDENT reminded the Board of the recommendations for the conduct of its business and rationalization of proceedings which it had made at its fifth session in decision IDB.5/Dec.46.

31. Mr. PLUG (Netherlands), speaking on behalf of the States members of the European Community, said the Board was repeatedly faced with a situation in which sessional documents reached permanent missions excessively late, in serious breach of the six-week rule laid down in rule 15 of the rules of procedure. That situation was unacceptable. The Community countries protested strongly at the disregard of the rule and wished to know what steps were being taken to improve matters. He would revert to the subject when the Board took up item 26.

32. Mr. ANGUIANO (Mexico) endorsed the previous speaker's comments. The question put to the Secretariat by the representative of the Netherlands was highly pertinent. The problem required solution before the next session.

33. The PRESIDENT said that the matter had been noted and that a reply would be given later.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1990 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.8/10 and Corr.1)

34. Mr. PLUG (Netherlands), speaking on behalf of the member States of the European Community, welcomed the annual report, which was one of the few documents that had arrived in time. Its length and structure were now satisfactory, but it would benefit from a brief preface by the Director-General summarizing the activities of the year and outlining the specific aims and strategies for the next year, to give the Board an overview that would enable it to take informed decisions about the future.

35. Many of the major problems dealt with in 1990 would be discussed under other agenda items. The member States of the European Community were concerned in particular about the problems of cash flow. However, despite those problems it had been possible to continue to deliver technical assistance at a good level, and a welcome attempt had been made to improve quality.

36. The chief general change in technical cooperation programmes appeared to be a surprisingly rapid increase in the percentage of aid going to interregional and global programmes, from 14.3 per cent to 19.6 per cent. In principle, he felt that that was a move in the right direction, using UNIDO's skills and expertise to the best advantage, but he would like to know the reasons for the change.

37. They supported the increased interest in appropriate technology, including the use of local materials, and the increasing trend towards cooperation between developing countries.

38. The annual report showed the extreme dependence of UNIDO on UNDP for much of its delivery in the field and underlined the importance of securing a reasonable deal under the new support costs arrangements with UNDP, which would be discussed separately.

39. In 1990, the member States of the European Community had expressed their concern about the need to integrate the System of Consultations within UNIDO's programmes. Much had happened in that area and a good evaluation had been carried out and implemented.

40. As far as development and the transfer of technology were concerned, UNIDO had to find ways to translate research and development findings into worthwhile projects in developing countries.

41. He was pleased to see the development in the number and value of "investment projects concluded" in the period 1986-1990 (IDB.8/10, p. 61), but would welcome clarification as to what was meant by "concluded" in that context.

42. The least developed countries, almost by definition, were difficult to help in the industrial sector. However, UNIDO had made considerable efforts to that end, for example in the use of appropriate technology such as the traditional textile industry and in trying to establish an industrial action plan for the least developed countries. That plan should be addressed to the reality facing those countries. The results were awaited by the Community with great interest.

43. He reiterated the constant concern of the member States of the European Community that women's interests should be incorporated within development projects and programmes as a matter of routine and that wherever possible the approach of setting aside projects for women only should be avoided.

44. He noted the developing and steadily improving concern for environmental problems surrounding UNIDO's programmes and projects. The question of training was vital for UNIDO staff in particular, and the Community member States would like to be kept in touch with the development of the training programme concerned. UNIDO could play a central role in the whole environmental question, but he stressed that environmental aspects should be incorporated into all development projects and programmes as a matter of routine. The Community member States looked forward to discussing ecologically sustainable industrial development at the UNIDO Conference on that subject to be held at Copenhagen in October 1991.

45. Poor problem identification at the outset led to poorly designed projects, and he welcomed UNIDO's attempt to deal with the issue, in particular, by insisting on full information from the field on the causes and effects of the problems to be addressed by a given project proposal. As projects grew in sophistication and size, that became vital, and he urged the Secretariat to continue pressure on those lines. The guidelines for project design were a step in the right direction.

46. He strongly supported the continuous evaluation not just of projects but also of UNIDO headquarters, and therefore welcomed the second

in-depth evaluation of the industrial investment programmes. Time and money were well spent when they led to much more effective programme delivery in the long term. That would certainly be true of the proposed evaluation of the work in human resource development, and the Community member States looked forward to further information on that important evaluation.

47. With the current debate on support costs, it looked increasingly unlikely that there would ever be a chance for the number of UNIDO country director posts to grow significantly, and indeed other possible sources of funding might have to be considered, for some of them at least, if the new regime of support costs did not provide enough money to pay for the current number of UNDP-supported posts. The member States of the Community would be addressing that matter under another agenda item.

48. The Liaison Offices in New York and Geneva might make useful contacts, but he wondered whether, given its current financial situation, it was essential for UNIDO to have those offices at all. Much of their work could be dealt with in Vienna or by periodic missions to New York and Geneva. The European Community would welcome the Secretariat's views on that point.

49. Mr. PROKHOROV (Union of Soviet Socialist Republics) said that his delegation viewed with satisfaction UNIDO's work in the period under review. He welcomed the increase in UNIDO's technical cooperation delivery from $133.8 million in 1989 to $159.6 million in 1990, the increased attention to studies of trends in the world economy and industry, and the impact of changing economic relations on the economic, scientific, technical and industrial progress of developing countries, as well as the formulation of recommendations on new concepts and approaches in respect of industrial development.

50. Since the system in regard to technical assistance funded by UNDP was shortly to be reorganized, there was a clear need to review the structure of local field offices. The Secretariat should study the question of establishing effective relations with regional commissions and with the developing countries and take appropriate decisions with regard to its units concerned with activities at regional and country levels.

51. His delegation believed that the interests of the Member States, and especially of the developing countries, would be served by the development within UNIDO of activities concerned with the assessment of regional and national programmes and projects for industrial, scientific and technological development.

52. In connection with UNIDO's activities in fostering industrial cooperation and mobilizing funds, he thanked the Secretariat for having arranged a briefing for Soviet business circles and for its efforts in relation to the establishment and running of the UNIDO Centre in Moscow.

53. He welcomed UNIDO's activities regarding the transfer of technology. He noted the major contribution made by the Department for Industrial Promotion, Consultations and Technology, and particularly the Industrial and Technological Information Bank.

54. He expressed satisfaction at UNIDO's activities in setting up a network of investment promotion offices and international industrial cooperation centres, and noted the successful start made on the UNIDO Centre in Moscow. It would be useful to organize periodic meetings where experience could be exchanged on the management and activities of the offices and centres. The Secretariat's Industrial Cooperation and Funds Mobilization Division should be strengthened, since at a time of changing relationships between UNIDO and UNDP the activities of that Division would be critical for the financial situation of the Organization.

55. Mr. ANGUIANO (Mexico) said that he would like, at the present stage, to put forward some preliminary ideas concerning the Director-General's very interesting remarks.

56. Clearly, UNIDO could work more efficiently if its Members paid their contributions on time and in full. The problems brought about by delay were enormous. In May 1991, total arrears had amounted to over $76.6 million, and the voting rights of 47 Member States had been suspended. However, the voting rights of six member States - among the major contributors to the UNIDO budget - which accounted for 77 per cent of the total arrears had not been suspended since they had been able to pay enough of their arrears to avoid that penalty.

57. Many of the 47 Member States whose voting rights had been suspended were undergoing severe economic crises and were unable to make the minimum necessary contribution. But their outstanding contributions were not the most significant factor in the arrears situation. More serious for the functioning of UNIDO was the 77 per cent owed by the major contributors.

58. Mr. CONSTENLA (Costa Rica), while congratulating the Secretariat on its achievements in pursuing the basic objectives of UNIDO, said that his delegation had reservations about certain trends evident from the annual report.

59. During the last 30 years, Costa Rica had made great efforts to improve its economy. It was now moving towards a reduction of State participation in industrial management, which had been based on an uncompetitive economic model aiming primarily at import substitution, a policy that had imposed an intolerable burden on the national economy. Costa Rica was now reducing State participation in industrial activity to a minimum, reducing the budget deficit by drastic means including massive layoffs of public-sector employees, and gearing its production to world markets. However, the prices of its products on the international market were declining and the economic and budgetary measures had not had all the desired effects. Costa Rica's balance of payments, which had improved, was still negative.

60. The concept of industrialization of the developing countries needed review, and he agreed that UNIDO required a new structure. Industry was a dynamic process, and insufficient attention had been paid in the developing countries to investment in research and development, engineering capability, marketing techniques, distribution, market research and quality control. Those aspects were essential for healthy industrial development and should be given due importance in the programmes of UNIDO.

61. He welcomed UNIDO's efforts to introduce environmental protection as a factor in the industrial management policies of the developing world.

62. UNIDO was facing increasing challenges requiring urgent action in all fields. Greater transparency in administration, together with strict compliance with the mandates of the various organs, would help to re-establish confidence, particularly regarding the computerization programme.

63. His delegation was concerned at the statement in paragraph 18 of chapter I of document IDB.8/10 that staff training accounted for a smaller proportion of staffing costs than in other agencies of the United Nations system. The training programme should be flexible; however, UNIDO should not substitute training for the recruitment of highly qualified staff, nor should the training programme become a substitute for formal technical or university education.

64. He wished to alert the Director-General to a possible excess of bureaucracy. Table 2 on page 18 of document IDB.8/10 showed that the percentage of project cost accounted for by project personnel averaged 43 per cent. It was surprising to find that in projects in Latin America and the Caribbean the percentage was 66 per cent, whereas in Asia and the Pacific it was 30 per cent.

65. With regard to the financial crisis, it was hard to accept the assertion in the report (IDB.8/10, chap. I, para. 1) that the Organization had been compelled to return to "survival strategies", and he was concerned at the misleading statement that "other factors" in the Organization's financial difficulties included "unforeseen salary cost increases; ... escalating electronic data-processing (EDP) costs; and higher maintenance costs ...". Member States should certainly fulfil their obligations in respect of assessed contributions, but that was not the only problem. The Secretariat should increase its efficiency.

66. He agreed that there was no need for a change in the status of conference services.

67. Turning to South-South cooperation, he noted that the amount allocated for the 1990-1991 biennium represented a mere 0.64 per cent of the total budget. UNIDO should pay greater attention, in that regard, to intraregional cooperation. At the same time, the increase in the number of experts from developing countries contracted in 1990 was to be welcomed.

68. Mrs. IALLAWY (Egypt) said that, although the Organization's financial crisis was in some measure due to the failure of Member States, and particularly those which were major contributors, to pay their dues, her delegation considered that the Secretariat had also been remiss in that it had not allocated resources in the best possible way. It was particularly regrettable that expenditure on the electronic data-processing programme had grown to ten times the original estimate, and that administrative costs had risen. At the same time, her delegation welcomed the increase of 19 per cent in technical assistance delivery.

69. It was important, when seeking funds for the implementation of programmes, to ensure that too much reliance was not placed on a single source, namely UNDP.

70. In establishing priorities for UNIDO's programmes, the need for basic industries in the developing countries should be kept constantly in mind. The technologies selected for projects should be in accordance with the medium-term plans of the recipient countries themselves.

71. In connection with technical cooperation activities, she drew the Board's attention to the fact that a seminar would shortly be held in her country on economic conditions in the Arab countries.

72. The emphasis given to the System of Consultations was entirely justified. In that connection, her delegation considered that every effort should be made to hold the regional Consultation on the petrochemical industry in the Arab countries in 1992, without waiting for additional sources of funds.

73. In conclusion, she said that, in view of the high costs involved in their upkeep, there should be an appraisal of the effectiveness of the UNIDO Liaison Offices in Geneva and New York.

74. Mr. MOHAMMED (Nigeria) said that his delegation welcomed the assistance provided by UNIDO for the Investment Projects Promotion Forum held in his country in May 1991. The Organization's help in identifying, formulating and screening projects, and in promoting them through its network of Investment Promotion Services and other contacts, had been particularly helpful.

75. He noted from the annual report (IDB.8/10, chap. I, para. 2) that, at the end of 1990, outstanding contributions had represented 36.2 per cent of the total assessment for the year, a situation whose negative impact on needy countries could not be overestimated. His delegation therefore appealed to all Member States, and particularly to the major contributors, to fulfil their obligations in a timely manner.

76. In that connection, he wished to commend the Secretariat for its continuing commitment to increased productivity in spite of dwindling resources. The increase in technical cooperation delivery from $133.8 million in 1989 to $159.6 million in 1990 was especially commendable. At the same time, his delegation noted with dismay that a number of projects of priority importance to Africa had not been implemented or had been postponed. Given the particularly urgent needs of the continent, it was his delegation's hope that the Secretariat would endeavour to show greater understanding for projects and programmes in Africa.

77. Mr. KAMEL (Turkey) said that, unless the financial difficulties facing the Organization were rapidly remedied, its overall performance would be adversely affected. His delegation was pleased to note that, in spite of the constraints, the Organization had been able to meet the overall objectives set for the biennium 1990-1991. At the same time, it noted that the expert component in the implementation of technical cooperation

projects had tended to increase over the previous three years in comparison to training and equipment costs, a trend which should be checked.

78. His delegation attached particular importance to economic and technical cooperation among developing countries (ECDC/TCDC) in the context of UNIDO's activities; such cooperation would enable the developing countries, including the least developed countries, to share technology, offer suitable training and equipment and exchange experience and information in regard to industrial policies and project management and implementation. UNIDO should continue to expand its catalytic role in that important field, while paying due attention to a fair and balanced geographical distribution of experts, equipment and services.

79. Referring to some of the activities undertaken by his Government for the benefit of the least developed countries, he said that discussions had been held in March 1991 in Vienna to discuss Turkey's financing of selected ECDC/TCDC activities and the provision of in-plant training programmes with specific emphasis on the African region. Funds had been pledged for seven training programmes in various industrial sectors, and his Government was contemplating an increase in the number of programmes and the funds allocated to them for the years 1992 and 1993. The programmes had so far proved highly successful, and over 700 experts from the least developed countries had been trained. Other events, with high-level participation, had been organized with a view to strengthening economic relations between Turkey and Central and Eastern European countries.

80. In connection with the System of Consultations, his delegation noted with satisfaction that the appropriate expertise had been acquired for assisting Member States in organizing national consultations, particularly at sectoral policy levels (IDB.8/22, para. 10). It would be useful to have intensified cooperation with non-governmental organizations, major national industrial corporations, professional associations and universities, and his delegation supported the measures proposed in document IDB.8/22, which would give a new ECDC/TCDC dimension to regional Consultations and promote the move in the direction of national consultations.

81. The energy sector was an important priority area. UNIDO, while engaging in programme promotion, project development and resource mobilization, should maintain coordination in the energy field with other organizations, especially UNDP. His delegation endorsed the programme set out in paragraphs 59-82 of document IDB.8/9, and took note of the funding modalities referred to in paragraph 87 of that document. It earnestly hoped that the programme would be adequately supported by contributions from the Member States.

82. In conclusion, he said that UNIDO should also intensify its activities in such fields as electronics and communications technology, in addition to computer applications, including labour-intensive software, in order to promote interaction between the State and private sectors in the industrial development process in the developing countries.

The meeting rose at 12 noon.

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# Industrial Development Board

Eighth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 1 July 1991, at 3 p.m.

President: Mr. TOFIGH (Islamic Republic of Iran)

CONTENTS


| Agenda item | | Paragraphs |
|---|---|---|
| - | Organization of work | 1 - 5 |
| 4 | Annual report of the Director-General for 1990 on the activities of the Organization (continued) | 6 - 35 |
| 5 | UNIDO policies: | 36 - 135 |
| (a) | UNIDO technical cooperation activities in 1990 | |
| (b) | Economic and technical cooperation among developing countries | |
| (c) | Regional cooperation programme for the industrial recovery of Latin America and the Caribbean | |
| (d) | Special programme for the industrial development of Asia and the Pacific | |
| (e) | Development of human resources | |
| (f) | Transfer of technology | |
| (g) | Energy programme | |


The meeting was called to order at 3.10 p.m.

ORGANIZATION OF WORK

1. The PRESIDENT said that the Bureau had decided to recommend to the Board that informal in-session consultations aimed at facilitating the drafting of decisions should be held. The Bureau also recommended that, in her capacity as Vice-President of the Board, Mrs. Tallawy (Egypt) should preside over such consultation meetings. So as not to prejudge the results of debates in plenary meeting, it further recommended that draft decisions should be discussed at the informal consultations only after the debates on the subject had been concluded.

2. If he heard no objections, he would take it that the Board wished to adopt the procedure he had outlined.

3. It was so decided.

4. Mr. KOSTENKO (Ukrainian Soviet Socialist Republic) proposed that, in view of the Board's heavy workload, speakers should be restricted to a maximum of ten minutes.

5. It was so decided.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1990 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.8/10 and Corr.1)

6. Mr. MANSINGH (India) said it was heartening to see that technical cooperation had increased by 19 per cent in 1990 and that the upward trend was

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continuing in the current year, despite the severe financial constraints faced by the Organization. He wished to emphasize, however, that UNIDO's existing level of activities would not be adequate to meet the targets of the Lima Declaration and Plan of Action. There was therefore a need to strengthen the Organization.

7. On the question of the electronic data-processing (EDP) programme, he recognized that the rapid computerization of UNIDO activities and the related human resources development plans would be a critical factor in enabling the Organization to achieve greater productivity and reduce the delay in responding to technical assistance requests. While his delegation was concerned at the administrative lapses which had resulted in serious increases in the cost of the programme, Member States should also be aware of the cost of delaying a decision on the question and on the 1992-1993 budget.

8. In view of the changes in the successor arrangements for support costs, UNIDO should seek ways of reducing its dependence on project support costs for implementing UNDP-funded projects. It would have to identify new sources of multilateral and bilateral funding, make greater use of trust funds and ensure greater participation of the private sector.

9. Mr. SOMJEN (Hungary) said that the democratic transformation of his country had changed its international trade relations. The year 1990 had witnessed a record surplus in convertible currency trade, which included trade with CMEA countries. Imports from developing countries had increased, mainly because of energy requirements.

10. Industry in his country was undergoing major restructuring and UNIDO's assistance and expertise were most important. A significant role had been played by the UNIDO-Hungary National Committee, which brought together representatives of the Government, the Chamber of Commerce, scientific institutions and companies. He was therefore in favour of the proposal, contained in document IDB.8/37, to include national committees on the agenda for the General Conference at its fourth session.

11. With regard to technical cooperation, he commended the increase in delivery to almost $160 million in 1990. His country continued to operate an extensive and varied technical cooperation programme in conjunction with UNIDO. The Organization would, however, have to seek new sources of financing in the light of the new policy of UNDP. He was also concerned at the failure to agree on the 1992-1993 budget. A compromise would have to be found.

12. His delegation supported the System of Consultations and considered that the meetings held in 1990 and 1991 had been very useful. He hoped, however, that there would be a greater number of representatives in future from OECD countries.

13. Mr. SALAS BARAHONA (Peru) said that the annual report highlighted the inequitable distribution of technical cooperation among the regions. Latin America and the Caribbean received only some 7 per cent. That situation should be thoroughly reviewed so that the imbalance could be corrected.

14. With respect to the arrears of assessed contributions, he thought that the most significant fact was not so much the large number of Member States that were in arrears but the large sums outstanding that were owed by some of the major contributors.

15. Mr. GAILI (Sudan) said that UNIDO was suffering from three major financial problems. In the first place, there was a shortage of resources due to the arrears in the payment of assessed contributions by Member States. Secondly, the acquisition of the new EDP system had proved more costly than expected. Thirdly, the new arrangements with UNDP, which accounted for some 60 per cent of the operational budget, would result in reduced resources from that quarter.

16. UNIDO would have to mobilize funds from other sources and find new methods of financing; in that connection, he noted that trust fund implementation had increased from $US 16.5 million in 1989 to $US 23.5 million in 1990, despite the fact that contributions to the IDF had fallen.

17. He praised the measures, including meetings and studies, adopted in compliance with decision GC.3/20. The proposed new organizational structure was simpler, and distributed responsibility to the directors of the new divisions. What was lacking was the link between those directors and the Director-General and deputy directors-general.

18. UNIDO's collaboration with the Organization of African Unity (OAU) and the Economic Commission for Africa (ECA) on the Second Industrial Development Decade for Africa was to be commended. However, he felt that the least developed countries should receive the lion's share of the Organization's technical cooperation assistance. The amount of $16.88 million allocated to such countries in 1990 struck him as a very modest sum.

19. Finally, his delegation much appreciated the investment promotion mission that had been sent to his country.

20. Mr. OKUTU (Uganda), having commended the work of UNIDO as reflected in the annual report of the Director-General (IDB.8/10), said he welcomed the establishment of the post of Coordinator for LDCs. However, the Coordinator's office would need much greater resources to fulfil its task. It should address such matters as human resources development, the gathering and exchange of information and the development of an industrial action plan.

21. Mr. IONESCU (Romania) said that his country was in the process of becoming a market economy. Some legislative and other measures had already been adopted; others were envisaged. It shared the aspirations of other developing countries to develop mutually advantageous cooperation in a variety of fields. It had executed projects in many developing countries, while thousands of students from such countries had been received in Romania.

22. He commended UNIDO's well-organized structure for ECDC/TCDC, which had been the context of some of his country's cooperation activities. The Joint UNIDO-Romania Centre for international cooperation had made a significant contribution in

many fields. Recommendations adopted at the last session of the Centre should lead to a strengthening of such cooperation.

23. One aspect of the workshop on foreign investment, held at Bucharest in May 1991, had been to prepare for an industrial investment project promotion forum to be held in 1992. He hoped that, at its current session, the Board would agree on new measures to assist all developing countries, including those Eastern European countries in transition to a market economy, to encourage the establishment of small and medium sized enterprises and to attract foreign investors.

24. Mr. HABERLI (Switzerland) said that, at its eighth session, the Industrial Development Board had on its agenda a number of items that would be of importance for the future thrust of UNIDO activities.

25. His delegation had taken note of the positive figures and results for the year 1990: the high growth in the volume of technical cooperation, again nearly 20 per cent, and the qualitative improvement ensured by the growing importance of project review and appraisal, which appeared to be bearing fruit in the area of technical assistance. His delegation urged the Secretariat to continue its efforts to improve its methods of review and appraisal and welcomed, in particular, the cooperation envisaged in that area with other international and national institutions.

26. The annual report (IDB.8/10) provided a clear picture of UNIDO's activities, programmes and administration. The exhaustive enumeration of technical cooperation projects, most of which were small scale, did not, however, come up to his expectations. It would be much more useful to be given the results of those projects and programmes and the extent to which they had been completed.

27. In the view of his delegation, UNIDO must play a catalytic role in the industrialization process by offering Member States the following services: advice on industrial policy based on research and on country and sector analyses; activities in the area of pre-investment, i.e. an analysis of needs and markets; and promotion of investments. All other activities should be regarded as secondary, a fact that the budget should take into consideration.

28. His Government was most interested in UNIDO's technical cooperation efforts. The programme approach applied to the leather industry and leather goods in Africa seemed to be a step towards a perceptible improvement in the quality of UNIDO-executed projects and better coordination of the expertise provided and the essential industrialization needs of the developing countries.

29. All too often, the UNIDO-executed technical cooperation projects had, in the past, suffered from a superficial analysis of the local socio-economic context. Technical aspects continued to predominate at the level of preparatory work and project proposals. Furthermore, UNIDO's growing presence at the enterprise level raised a number of questions of principle. UNIDO must ensure that its activities benefited directly or indirectly the largest possible number of enterprises and did not discriminate in favour of a single enterprise.

30. Switzerland had increased its technical assistance support to Latin America through the industrial subcontracting project and planned to be active in the framework of the special programme for Latin America. However, its support for projects in Asia and for interregional and global projects would continue as in the past, in particular for those projects that had yielded appreciable results.

31. His Government reiterated its support for UNIDO's activities, a commitment that had been demonstrated by the substantial increase in its voluntary contribution. Switzerland's support for UNIDO would continue to aim at ensuring that UNIDO was able to offer quality services for promoting the industrialization process of the developing countries.

32. Mr. CHEN Shiqiu (China) said that his delegation was pleased to note that, in 1990, the UNIDO Secretariat had continued to make steady progress in its technical cooperation activities, despite internal and external constraints. Technical assistance delivery had grown to $US 159.6 million. The special trust fund programme had developed rapidly, and investment promotion and other operational activities had also seen considerable progress. The Secretariat had paid closer attention to evaluating its activities in terms of quality. A larger number of projects had been reviewed during the past year. While all those developments deserved to be commended, his delegation asked the Secretariat to ensure that the results of the project review were reflected in the annual report, with a specific breakdown by operation so that the Member States could have a clear picture of programme implementation.

33. His delegation appreciated the Secretariat's endeavours in the field of investment promotion activities and was convinced that UNIDO's industrial investment promotion system played a role of unique importance in promoting inflows of resources to developing countries from the developed countries and furthering their industrialization process. It noted with appreciation that some 170 projects totalling $699 million had been successfully concluded by UNIDO's industrial promotion system in 1990. It was to be hoped that the Secretariat would report to the Industrial Development Board on how many of the 170 projects were in operation, what investment agreements had been signed etc.

34. His delegation also appreciated the Secretariat's efforts to evaluate its industrial promotion activities; however, the evaluation would help to build Member States' confidence in UNIDO's investment promotion activities if the evaluation report gave a more precise description of the practical results achieved.

35. In a new international situation, UNIDO was facing new challenges and opportunities. The demand by developing countries for technical assistance from the Secretariat was increasing. To meet the needs and fulfil its mandate, the Secretariat should gear its internal structures accordingly and steadily increase its technical cooperation activities for the developing countries without neglecting the aspect of quality.

UNIDO POLICIES:

(a) UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1990

(b) ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

(c) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN

(d) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC

(e) DEVELOPMENT OF HUMAN RESOURCES

(f) TRANSFER OF TECHNOLOGY

(g) ENERGY PROGRAMME

(IDB.8/9, 10, 13, 16, 17, 24-26, 29, 46 and Corr.1 and 47)

36. Mr. SOUMAROKOV (Deputy Director-General, Department of Industrial Operations), introducing the progress report by the Director-General on the development of human resources (IDB.8/17), which updated document IDB.7/21 submitted to the Industrial Development Board at its seventh session on the progress achieved since 1989 in UNIDO activities aimed at improving human resources development and reflected the progress made in the implementation of General Conference resolutions GC.2/Res.4 and GC.3/Res.8 in the period from September 1990 to March 1991, said that, in GC.3/Res.8, the General Conference had requested the Director-General to take appropriate action to advance human resources development and to report on the implementation of those actions to the Conference at its fourth session.

37. In response to that decision and as a follow-up to the first report on the subject, submitted to the IDB at its seventh session, supplementing the information provided in the 1990 annual report, IDB.8/10, chapter II, paragraphs 147 and 158, the current report focused on some of the core activities and related main features of the programme that had been undertaken during the period September 1990 to March 1991.

38. UNIDO was aware that the fast pace of change in the area of technology and the widening gap between the developed and developing countries in that regard would call for more intensified efforts and urgent action for the elaboration and implementation of appropriate programmes and projects in the area of human resources development for the industrial sector in the developing countries. The development and application of new technologies raised issues and confronted the developing countries with greater challenges with regard to scientific research and technological education and training.

39. In that connection, the main UNIDO programmes and activities for the development and transfer of technology were closely related to its programmes on human resources development. The UNIDO Secretariat was placing greater emphasis on linkage between the programmes and projects for development and transfer of technology and those dealing with human resources development.

40. As reflected in the document, the analysis of UNIDO technical cooperation projects implemented during 1990, covering such important sectors as engineering, design and development, production technology, capacity utilization, repair and maintenance, high technology, environmental protection and energy conservation, indicated that the training component, including fellowships, amounted to about 14.5 per cent of resources allocated. Training components had been incorporated in most of the technical cooperation projects for rural and urban artisans and small-scale industries, especially in Africa and the least developed countries.

41. UNIDO was putting to better use the experience gained over the past few years by placing greater emphasis on assisting the developing countries, at their request, in elaborating planning, strategies and methodologies for human resources development with the limited resources available. UNIDO's efforts in that direction were contributing to an analysis of needs and the development and strengthening of centres and institutes through effective methods for training trainers and introducing new training techniques with a view to enhancing the training capacities of those institutions in the developing countries. In that connection, some of the training institutions in the developing countries were used for group training programmes in the critical areas accorded priority by the respective developing countries.

42. New training techniques had been introduced in some projects during the period under review. The use of computers in training systems had been integrated into such training programmes as the one organized for the Latin American and Caribbean region on the manufacture of tools and spare parts.

43. As could be seen from the report, the group training programmes covering various fields continued to be an important component of UNIDO's human resources development programme. Sections 7, 8 and 9 of the report reflected the progress made on the programmes prepared to meet the special needs of the African countries and the integration of women into industrial development, and which also took into consideration technical cooperation among developing countries. UNIDO's human resources development programme had also encompassed such areas as environmental protection and energy.

44. Paragraph 48 of the document reported on the pre-evaluation study on UNIDO's activities in the development of human resources. It was to be hoped that the conclusions reached as a result of the envisaged in-depth evaluation study, which would be implemented in the 1991-1992 biennium, would provide more input for the review and strengthening of UNIDO programmes in human resources development.

45. Lastly, he drew attention to paragraph 49 and the constraints faced by UNIDO's Secretariat, brought about primarily by the lack of adequate resources, despite the high priority that the programme enjoyed.

46. Mr. WIESEBACH (Deputy Director-General, Department for Programme and Project Development) said that the progress report on the preparatory arrangements for the Conference on Ecologically Sustainable Industrial Development (ESID) (IDB.8/47) was not listed under any specific sub-item of agenda item 5. Apart from the General Conference, that was by far the largest and most important meeting that UNIDO was organizing in

1991 and would serve to review UNIDO's role in the environmental aspects of industry and technology, assist Member States, especially the developing countries, in developing their own environmental policies for industry and technology and help UNIDO to prepare its own contribution to the United Nations Conference on Environment and Development (UNCED).

47. The Government of Denmark had provided financial support for the ESID Conference and made a venue available. Further financial support was needed, however, to make it possible for more developing countries to attend the event.

48. Turning to item 5 (b), he recalled that, in accordance with GC.3/Res.9 of the General Conference and IDB.6/Dec.11 of the Industrial Development Board, there were three documents which pertained to UNIDO's response to requests from Member States aimed at strengthening economic and technical cooperation among developing countries (ECDC/TCDC): the annual report (IDB.8/10), the regulatory framework document (IDB.8/13) and the progress report (IDB.8/29).

49. The annual report (IDB.8/10) and its update in the progress report on ECDC/TCDC (IDB.8/29) gave an account of the Organization's work in identifying further opportunities for industrial cooperation among developing countries. The upward trend continued with respect to the aim of raising the developing countries' share of total UNIDO contracts, equipment purchases and recruited experts. Developing country experts accounted for 36 per cent of the total Professional project personnel used by UNIDO.

50. On the other hand, as noted in IDB.8/29, the financial constraints of the current biennium meant that it had not been possible to increase the funds for the ECDC/TCDC components of UNIDO programmes, as requested in GC.3/Res.9.

51. Cooperation with the United Nations Development Programme had increased in connection with UNIDO's development of a computerized information service for ECDC and TCDC. That had been initiated with the acquisition of equipment and software for the INRES-South database (specifically called for by IDB.6/Dec.11) under an agreement with UNDP.

52. In accordance with the General Conference request that the Director-General establish a regulatory framework for the ECDC/TCDC components of UNIDO programmes, such a framework (IDB.8/13) was being presented to the Conference through the current session of the Industrial Development Board. The context for the framework was the medium-term plan. However, other mandates, such as the Buenos Aires Plan of Action and the Caracas Programme of Action, as well as suggestions such as those of the South Commission had also been taken into account.

53. The document underlined the cost-effectiveness of ECDC and TCDC: every dollar contributed by a United Nations agency mobilized more than three dollars of cash and in-kind inputs for TCDC projects in the participating developing countries. Given the evolving concepts of ECDC and TCDC, the opportunity had been taken to put them in a UNIDO context that emphasized the role of the private sector.

54. The core of the document was in chapter II, where the regulatory framework was presented in the form of objectives of a UNIDO-wide programme.

55. The document stated that TCDC and ECDC would remain marginalized within the United Nations development system unless some positive action was taken to integrate them into UNIDO programming procedures by means of an internal review of programmes, procedures and activities.

56. Chapter IV on funding considerations underlined the use of existing budget provisions and/or extrabudgetary funding. In other words, there was no call for additional regular budget funding by the Member States.

57. With reference to item 5 (c), the regional cooperation programme for the industrial recovery of Latin America and the Caribbean, the Board might wish to take note of the Director-General's report (IDB.8/25) requested by General Conference resolution GC.3/Res.17. Chapter II of the document contained relevant information on the execution of each of the measures requested by the Board in IDB.6/Dec.4.

58. He assured the Board that considerable effort had been devoted to the successful launching and implementation of the regional cooperation programme and reported that significant progress had been made, as reflected by the commitments already obtained and the firm pledges received from donors to the Industrial Development Fund. He referred in particular to the programme on industrial subcontracting and the regional programme on industrial automation for the capital goods sector in Latin America.

59. A status report under item 5 (d) on the special programme for the industrial development of Asia and the Pacific was to be found in document IDB.8/26. Owing to limited funding, work had been concentrated on selected industrial subsectors in the least developed countries. They included agro-related metalworking industries, a field in which a regional technical cooperation project proposal and some country-specific concepts were currently being formulated and submitted to potential financing agencies and donors. Document PPD/R.47 containing detailed country briefs of agro-related metalworking industries in those countries, had been distributed earlier in the year. Similar preparatory work was being carried out in food and agro-processing industries in the region.

60. The linkages between the special programme and existing and planned regional projects for the entire region and priority areas referred to in GC.3/Res.18 were indicated in document IDB.8/26. The development of the special programme would remain heavily dependent on the funds available and he appealed to Member States for support through the Industrial Development Fund.

61. Mr. ARAOZ (Deputy Director-General, Department for Industrial Promotion, Consultations and Technology), referring to the transfer of technology, mentioned documents IDB.8/24 and IDB.8/46 and the relevant portions of the 1990 annual report. Progress had been achieved over a wide front, in particular in the implementation of the programme delineated in document IDB.8/26.

62. The International Centre for Genetic Engineering and Biotechnology (ICGEB) had made significant progress in genetic engineering and biotechnology, with a five-year programme of $US 55 million underwritten by Italy and India. Preparations were being made for the entry into force of the Statutes and the Director-General had invited several countries to join the Centre. The

Secretariat was also promoting a voluntary code of conduct on the release of genetically-modified organisms into the environment in close cooperation with UNEP, WHO and FAO.

63. In the area of new materials, preparatory work for regional cooperation in Asia had been undertaken. In solar photovoltaics, the Consultative Group on Solar Energy Research and Application had found wide support and a comprehensive study was to be made of the market for photovoltaics in developing countries. Cooperation between India and African countries in telecommunications equipment manufacture had yielded positive results.

64. Progress had been made in the horizontal fields of transfer of technology also, and programmes on technology policy and techno-economic intelligence had been developed at the departmental level. The concept of technology management was being promoted and a major regional programme was being prepared for Latin America with the Comisión Latinoamericana de Ciencia y Tecnología (COLCYT).

65. The Technological Information Exchange System (TIES) and Industrial and Technological Information Bank (INTIB) continued to make progress at the national, regional and interregional levels and there were developments in Tanzania, Latin America, Indonesia, Turkey, Sri Lanka and the Philippines. Directories of industrial and technological information sources were to be published for nearly twenty countries.

66. Technology-related activities were also contributing to other medium-term plan programme priorities such as energy-saving technologies, an INTIB in-house environment information network and an industry and environment information source guide which was to be distributed at the forthcoming Copenhagen Conference on ESID.

67. A wide range of technical cooperation activities were being carried out by the Department of Industrial Operations, encompassing equipment for local building materials manufacture, a fertilizer industry development centre, carbon fibre technology and projects in the natural rubber field. A major regional programme on industrial automation was being launched in the capital goods sector in Latin America and the Caribbean. The Department's activities also featured TCDC. More examples of technical cooperation activities were given in paragraphs 42 to 60 of document IDB.8/24.

68. Document IDB.8/46 proposed some long-term arrangements for the establishment of an International Centre for Science and High Technology. The Board had received regular reports on the preparatory and pilot activities for the establishment of the Centre and the subject had been explained at a briefing session. The Centre would comprise three institutes, namely, for pure and applied chemistry; earth, environmental and marine sciences; and new materials and other high technology areas.

69. The Centre's links with industry and the affiliation and strengthening of country scientific and technological centres would be particularly important. The time was ripe to establish the Centre on a long-term basis and assurances of continued support had been received from the Government of Italy. Long-term arrangements were needed to build the Centre, which would be financed exclusively from voluntary contributions, into an institution of excellence and he advocated a five-year programme to be extended biannually and with advance commitments from donors.

70. It was envisaged that the Centre would function, with the extensive participation of highly-qualified scientists, within the framework of UNIDO and subject to its rules and regulations, with the incorporation of such elements as would make it function as a centre of excellence on a long-term basis.

71. The Secretariat invited the Board to adopt a decision approving the establishment of the Centre so that work could go ahead.

72. The PRESIDENT thanked the representatives of the Secretariat for their introductory statements to agenda item 5.

73. Mr. CHEN Shiqiu (China) said that the concept of ECDC/TCDC had been universally accepted by the international community and had enjoyed the overwhelming support of the developing countries since its inception. It had proved to be a practical approach for achieving mutual technical advancement among developing countries, because their industrial technologies were at a similar level and could therefore easily be introduced into the counterpart countries.

74. At the third session of the General Conference, a number of requests and recommendations for strengthening ECDC/TCDC had been made and the Industrial Development Board had asked the Secretariat to continue to enhance its efforts to identify opportunities for industrial cooperation among developing countries and to increase the use of the experts, services and equipment of developing countries in its technical cooperation projects.

75. His delegation was aware that progress in that field had been very limited in 1990 owing to lack of resources, although some efforts had been made by the Secretariat. The request to increase funds substantially for the ECDC/TCDC components of UNIDO programmes had certainly not been heeded. The importance of ECDC/TCDC must be reflected in UNIDO's activities, and it was therefore necessary for the Secretariat to mobilize more reasonable resources. For its part, his Government called upon the Member States to make adequate efforts to promote both North-South and South-South cooperation.

76. His delegation appreciated the efforts made by the Secretariat to implement the special programme for the industrial development of Asia and the Pacific, the regional cooperation programme for the industrial recovery of Latin America and the Caribbean and the special programme for industrial development in the Arab countries. It supported the special emphasis placed by the Secretariat on the least developed countries in the region and on ECDC/TCDC in the implementation of the Asian and Pacific programme. The Secretariat had made considerable progress, and a number of regional projects funded by the Industrial Development Fund (IDF) or UNDP had been approved. Implementation of those projects would have a favourable impact on the industrial development of the Asian and Pacific region, and it was to be hoped that even more

effort would be made by the Secretariat in that area.

77. Turning to agenda item 5 (e) and 5 (f), he said that his delegation had always taken the view that the development of human resources was one of the most important elements in the industrialization and social advancement of the developing countries. It had noted that the Secretariat had been focusing more heavily on that issue. Technical services and various types of training activities had been reflected in each regional programme and the Secretariat's other operational activities. Technological promotion and transfer was an important aspect of human resources development. The Secretariat had also achieved a certain measure of progress in training activities combined with specific technology research.

78. The arrangements for the establishment of the International Centre for Science and High Technology were being gradually implemented. It was to be hoped that the developing countries would participate in and benefit from the project. Human resources development should not be understood to mean just seminars, on-the-job training or workshops, important though all of them were. It was equally important that the necessary material assistance should be furnished to enable the recipient to acquire and absorb new technologies.

79. His delegation thanked the Secretariat for the formulation of its energy programme, which would undoubtedly be useful in strengthening UNIDO's technical assistance to developing countries. It was to be hoped that the programme would be reflected in UNIDO's future activities. He suggested that the Secretariat should pay sufficient attention to the development of low-cost energy technologies, tailored to specific situations, in the least developed countries and the backward regions of developing countries. Helping to solve energy problems would also help prevent further degradation of the environment in those regions. The energy programme and the environment programme were thus mutually reinforcing.

80. Mr. ENDO (Japan) said, with reference to technical cooperation activities, that it was essential that UNIDO should sharpen its professional edge as the specialized agency responsible for industrial development, particularly in view of the UNDP Governing Council decision on support cost successor arrangements. His delegation hoped that UNIDO would continue to develop, not only by delivering technical cooperation, but also as a source of technical and special expertise in all aspects of industrialization.

81. UNIDO should further strengthen activities such as: analysis of developing countries' technological needs; project formulation and updating of country studies; more cautious project appraisal; more frequent and careful monitoring of projects to eliminate unnecessary delays; effective feedback of field experience to headquarters; and proper and timely evaluation. Such an approach would broaden UNIDO's expertise and improve its organizational role.

82. His Government, which had continuously supported UNIDO's technical cooperation activities through the IDF and the Trust Fund, would commit $US 3.1 million to the IDF in 1991.

83. He also welcomed UNIDO's recent endeavours to promote industrialization through regional programmes and announced that his Government had decided to assist the automation of the capital goods industry programme by using its Trust Fund contribution of $500,000.

84. Technical cooperation involved the transfer of technology by means of human resources development and he sincerely hoped that UNIDO would strengthen its technique and role in that area.

85. In 1990, his Government had contributed to technology transfer and human resources development through the in-plant group training programme in the field of production management in the manufacturing industries and through the seminar on standardization and quality control. It had also assisted countries in sub-Saharan Africa and had aided some grass-roots projects for the transfer of fundamental technology.

86. His delegation appreciated the importance of the energy programme and, in 1990, it had financed an advanced energy conservation project for the purpose of transferring Japanese know-how.

87. There had recently been a regrettable tendency by the Secretariat to produce documents late, which did not give Members time to digest them. He urged the Secretariat to ensure that documents were distributed in good time.

88. Mr. PROKHOROV (Union of Soviet Socialist Republics) emphasized, with respect to UNIDO's technical cooperation activities, the importance of better coordination of technical assistance, in particular between the Area Programmes Division, the divisions of the Industrial Operations Department and UNIDO country representatives. The new system for technical assistance delivery meant that there had to be a more vigorous use of special-purpose funds, more rapid project development and approval and the creation of effective mechanisms for UNIDO to interact with donor countries, which should be involved in the drawing up of project documents.

89. His delegation endorsed the structural reorganization of the Area Programmes Division subunits and noted the importance of extending technical assistance on the basis of integrated programmes. It was also important for the activity of UNIDO's country representatives to be further enhanced from the point of view of analysing the information received and conveying it to headquarters and developing proposals for projects and activities in the field of technical cooperation. They had an important role to play in coordinating the activities of United Nations specialized agencies in the area of industrial development in the field.

90. Document IDB.8/CRP.1 provided a graphic account of the range and volume of the assistance provided by the Organization to the developing countries, but the Secretariat should consider supplementing the tables displayed by an indication of projects per country, showing the total amounts from each source of financing.

91. In carrying out programmes in the area of economic and technical cooperation among the developing countries, it was necessary to take account of the real possibilities of donor countries in furnishing services and technical assistance which were economically appropriate to

the recipient countries, including technology transfer and managerial experience and training. Regional measures on relevant topics, pinpointing specific problems and ways of resolving them in the context of cooperation between developing countries, could provide an important boost for the development of UNIDO's activity in that direction.

92. His delegation supported the special regional programmes for industrial development, and considered that due attention should be given to interregional activities and to the link between the programme of a particular region and other regional programmes. The development of the European programme was particularly promising, since many of the processes under way in the region, particularly in eastern Europe, had a bearing on the interests of the developing countries.

93. As for UNIDO's activity in the development and transfer of technology, his delegation supported the creation of global and regional networks of international scientific and technological centres. UNIDO should prepare detailed information on a regular basis on the progress of the work of the centres and the results they had achieved, in order to encourage the involvement of new countries in their activity.

94. His delegation took a positive view of UNIDO's activity in the field of technology monitoring, and the drawing up of a code of conduct on the dissemination of genetically-altered organisms, the use of micro-organisms in petroleum extraction, the commercialization of microbiological production and the creation of a biological data information exchange network. His Government was particularly interested in the proposed establishment of an International Centre for Science and High Technology.

95. It supported the Secretariat's work in establishing and developing information networks in cooperation with UNESCO, UNEP, FAO and ILO. A UNIDO seminar was to be held in the USSR in September 1991 on progress and problems in the development of national networks and systems for scientific and technological information.

96. His delegation supported UNIDO's activity in the field of training, and took an active part in that work. A centre for training specialists from developing countries had recently opened in Moscow. It also gave general support to the proposed project for an energy programme and was prepared to play a part in bringing it about.

97. Important areas of activity for UNIDO were the development of cooperative economic methods, small and medium-sized enterprises, industrial rehabilitation and reconstruction, and the provision of assistance to countries on privatization and the stimulation of economic activity.

98. UNIDO had still to give its views on the topical matter of converting military industry to civilian production; his Government had drawn up proposals for a meeting to be held in Moscow in December 1991 on conversion, including trips to relevant enterprises and commercial negotiations. The meeting could be useful for both the industrially developed and the developing countries; it was to be hoped that UNIDO would support the idea of holding the meeting and would be a participant.

99. Finally, he noted that a coordinator had been appointed for the activities of the United Nations specialized agencies in implementation of General Assembly resolution 45/190 on international cooperation to overcome the consequences of the accident at the Chernobyl nuclear power station, and a programme for such assistance was being drawn up. It would be appropriate for UNIDO to take part in that programme and, together with the representatives of the Ukrainian SSR and the Byelorussian SSR, he was submitting a draft decision to the Board; the leadership of Russia had also expressed keen interest in UNIDO's participation. He hoped that participants in the current session of the Board would give the draft decision their support.

100. Mr. PLUG (Netherlands), speaking on behalf of the States members of the European Community, said they agreed that human resources development was an important aspect of development and welcomed the Director-General's reports which seemed, however, to be unnecessarily frequent. Unless there were major changes, a report could be issued only to the Board meeting immediately prior to the General Conference. Alternatively, future reports on the subject could be incorporated into the Director-General's annual report.

101. The delegations he was representing had read document IDB.8/17 with interest and had been disappointed to note the very poor representation of women in industrial investment promotion and in fellowships and study tours. They urged the Director-General and the Member States to improve the situation, not through special programmes, but through the real integration of women into the development process.

102. With reference to the energy programme, he pointed out that document IDB.8/9 was one of the many documents that had been received late. His delegation had taken part in the energy programme briefing and welcomed the Director-General's proposals on a pragmatic approach to take account of the interrelation not only between energy and economic development, but also between energy and the protection of the environment.

103. Energy was one of the most important factors to be considered in setting up new industrial activities and it was necessary to adopt, on a project-by-project basis, technological choices embracing optimum energy use with due regard for both the impact of energy on the economics of the project and its related environmental effects.

104. The Director-General's proposals deserved more detailed consideration. The delegations he was representing approved the general outline of the programme and welcomed the identification of special areas of opportunity to focus UNIDO's efforts. Operational links and cooperation with other United Nations organizations, such as UNDP, UNEP, World Bank and IAEA, should be strengthened.

105. In view of UNIDO's current financial situation, the programme would have to be funded primarily through special-purpose voluntary contributions by the Member States to the IDF. The delegations he was representing reiterated their strong reservations about the establishment of separate sectoral special trust funds.

106. Since his delegation had only just received two important documents relating to agenda item 18, he suggested that consideration of that item be postponed until Thursday, even though the tentative schedule of work had already been adopted.

107. Mrs. TALLAWY (Egypt) said she supported that proposal but thought that item 18 could be discussed on Wednesday afternoon.

108. Mr. BOKONGA (Zaire) said that item 18 should be examined before item 11, because of its possible implications for the latter item.

109. It was decided that agenda item 18 would be discussed on Wednesday afternoon.

110. Mr. TREMEAU (France) said he welcomed the increase of some 20 per cent in the volume of technical cooperation projects in 1990 compared with 1989, but wished to remind the Organization that the effects of its activities were linked primarily to the quality of its projects; he emphasized the need to improve coordination between the various departments of UNIDO, to reduce the time it took to implement projects, which was often excessive, and to ensure adequate follow-up for programmes and projects.

111. Priority should be given to the industrial development of the least developed countries, so that UNIDO assistance might enable them to create conditions that favoured the development of local enterprises and attracted foreign investment. While welcoming the 17 per cent increase in resources directed to the industrial development of Africa, he regretted the fact that the region had received a smaller proportion of UNIDO's overall technical assistance in 1990 than in 1989.

112. Through its voluntary contribution to the Industrial Development Fund, France financed a number of training, technical cooperation and industrial investment promotion projects in Latin America and the Caribbean, and had decided to participate in the important programme to automate the capital goods sector; UNIDO should be encouraged to draw up more programmes of the same kind in priority sectors.

113. In Asia, France was associated with a number of UNIDO projects in the agro-industries field, in the development of pesticides and construction materials; it welcomed the fact that UNIDO's technical assistance to Asia had reached the level of 31 per cent of its overall assistance, but was concerned at the increasing competition between the countries of the region and the consequent dangers of marginalization.

114. As for central and eastern Europe, UNIDO certainly had a role to play there provided that it did not reduce its programmes for the developing countries. It should concentrate on certain priority sectors such as training specialists and promoting industrial investment.

115. The most important areas of activity for UNIDO were the relationship between industry and energy; the relationship between agriculture and industry; the health industry; the housing industry; basic mechanical, electrical and electronic equipment; and, last but not least, the environment and its relationship with industry, in close coordination with UNEP.

116. Mr. LAVIÑA (Philippines) said he welcomed the fact that UNIDO had once again managed to increase its technical cooperation deliveries, in spite of the prohibitive cash-flow constraints that had prevailed throughout 1990. The improved evaluation of projects was an important indication of the priority that was being given to matching qualitative gains and quantitative increases in project performance. With regard to project size, however, increasing the proportion of projects valued at $1 million or more could have a more significant impact upon the industrialization efforts of Member States than a proliferation of smaller-scale projects.

117. It was regrettable that additional funding had not been provided for the ECDC/TCDC programme, but the regulatory framework for ECDC/TCDC seemed comprehensive and acceptable in principle, although, as in the case of the energy programme, more time was needed for closer examination of the details.

118. His delegation endorsed the proposed establishment of an International Centre for Science and High Technology, on the understanding that the suggested institutional framework set out in the annex to document IDB.8/46 would be open to further improvement.

119. Finally, he expressed his delegation's support for the area and sectoral emphasis for the first five years of the special programme for the industrial development of Asia and the Pacific and said that his Government looked forward to receiving information concerning the implementation of the projects developed, based on the country studies of the 13 LDCs involved in the metalworking industry. On the non-LDC component of the programme, his delegation hoped that new initiatives would be formulated along the lines of GC.3/Res.18 as soon as funds were available.

120. Ms. DE LA GARZA SANDOVAL (Mexico) said that her delegation welcomed the allocation to separate agenda items of the Director-General's annual report and the Organization's policies, because it enabled proper consideration to be given to the substantive issues before the Board.

121. Document IDB.8/16 indicated that, in Latin America and the Caribbean, there was a continuing imbalance between the components of the technical cooperation projects. Her delegation could not share the view expressed by the Secretariat that the existing project structure was ideal. The Secretariat should redouble its efforts, when formulating projects, to tailor them to the specific needs of each individual region.

122. Resolution GC.3/Res.7 requested that the transfer of technology be strengthened. Her delegation believed that decision-making would be greatly facilitated if Member States had complete lists of the technologies promoted by UNIDO through technical cooperation projects.

123. Her delegation had studied document IDB.8/46 carefully. The establishment of centres of excellence such as the one proposed had always had her Government's support. Nevertheless, before agreeing to the structure of the proposed Centre, the Board should approve the terms of reference governing its work. It was also necessary to clarify the legal ramifications of setting up an autonomous institute within the framework of an

international organization. In her delegation's view, the Centre should be administered by a committee of advisory directors consisting of representatives of the main donor countries and the developing countries and of scientific experts.

124. With reference to ECDC/TCDC, there should be greater efforts, in conjunction with UNDP, to obtain suitable information on industrial programmes in developing countries. It was also necessary to extend industrial cooperation among the developing countries and the Secretariat should work towards that end.

125. As far as the energy programme (IDB.8/9) was concerned, limited resources made it inappropriate to act for the moment, particularly since it seemed to lie more within the sphere of the specialized and regional agencies working in the energy field. Any energy programme should be funded exclusively from budget resources. It would be better, however, to focus on medium-term objectives so as to enable the Secretariat to strengthen the transfer of technology to developing countries and to establish terms of reference for each country's projects in conjunction with UNIDO.

126. Technical training was closely linked to the development of developing countries and greater efforts should be made to develop human resources, for which purpose UNIDO should mobilize funding. Developing countries required increased access to new technologies, above all to boost production.

127. Mr. RASAPUTRAM (Observer for Sri Lanka), having noted the satisfactory progress that had been made in both UNIDO's technical cooperation programmes and its industrial investment programme, expressed his hope that the Organization would overcome the financial constraints that had been hampering it.

128. However, financial constraints were not the only problem UNIDO had to face; if favourable policies were pursued by certain countries with regard to the trade in industrial goods, the alleviation of poverty and the restructuring of economies, that would give UNIDO all the assistance and strength it required, since the growth of the developing countries would then be revitalized.

129. The dramatic changes taking place in the political, social and economic fields had created a dynamic environment that would lead to the growth of an international development consensus, and the objective was to make the 1990s the decade of global development through industrial progress. In that connection, the manufacturing sector in the developing countries had a central role to play. The modernization of agriculture would release surplus labour and there was a clear need to develop agro-based industries and other industries that significantly increased the value added.

130. The developing countries were frustrated in their attempts to expand their industrial base when they came up against a wall of protectionism. A greater expansion of the trade in manufactures was a prerequisite for the expansion of the industrial base of the developing countries. However, while the developing countries were liberalizing their trade on the basis of structural adjustment policies, the developed countries were becoming more protectionist. The result was a lack of effective support for export expansion, the move towards market economies became stunted, and reform was deferred. Traumatized by the debt crisis, the developing countries were losing their will to persevere with their adjustment policies.

131. There was a deep and widespread concern for the environment, and industries that had developed without due regard for the sustainability of the environment needed to be reshaped to meet modern requirements. UNIDO should expand its collaboration with other specialized agencies to prevent as well as to cure environmental pollution caused by industrial development.

132. The developing countries, which had done far less harm to the environment than the developed ones and whose environmental pollution was caused mainly by poverty, were unable to divert scarce resources to protect the environment, nor did they possess the technological capability to carry out such work effectively. Donor countries should inject additional funds to promote durable growth so as to enable the developing countries to accord an important place to environmental activities within the structure of development in general, and industrial development in particular.

133. In the developing countries, there was an ample stock of human resources which, if properly trained and tapped, could be utilized to raise output and income. Human resources development had to be given a very important place in any programme of industrial expansion. Investment in human capital had been the main reason for the success of the newly industrialized countries.

134. UNIDO had a vital role to play in the development of small-scale industries in the developing countries. It had to undertake training programmes to assist them to utilize their human resources in the most productive manner possible. UNIDO had a responsibility to ensure that the small-scale industrial sector, particularly the informal sector, was gradually integrated into the organized sector, and did not become further marginalized. To accomplish that task UNIDO would require adequate funds. The implementation of programmes designed to assist the informal sector presupposed the availability of adequate financial resources, if the developing countries were not to be denied the long-term benefits they hoped to obtain.

135. The provision of employment opportunities and the prevention of a large-scale flight from the land entailed the promotion of an agro-oriented manufacturing base in the rural areas. The establishment of growth centres in rural areas could be accomplished partly by decentralizing industry from the towns and partly by promoting rural industries based on local raw materials. It was to be hoped that UNIDO would expand its activities to include not only advice in establishing and strengthening institutions but also assistance in setting up viable rural industrial projects using the appropriate technology.

The meeting rose at 6.05 p.m.

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United Nations Industrial Development Organization

# Industrial Development Board

Eighth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 2 July 1991, at 10 a.m.

President: Mr. TOFIGH (Islamic Republic of Iran)
later: Mr. KOSTENKO (Ukrainian Soviet Socialist Republic)

CONTENTS


| Agenda item | | Paragraphs |
|---|---|---|
| 4 | Annual report of the Director-General for 1990 on the activities of the Organization (continued) | 1 - 124 |
| 5 | UNIDO policies (continued): | |
| (a) | UNIDO technical cooperation activities in 1990 | |
| (b) | Economic and technical cooperation among developing countries | |
| (c) | Regional cooperation programme for the industrial recovery of Latin America and the Caribbean | |
| (d) | Special programme for the industrial development of Asia and the Pacific | |
| (e) | Development of human resources | |
| (f) | Transfer of technology | |
| (g) | Energy programme | |
| Annex: | Summary of a written statement not read at the meeting | |


The meeting was called to order at 10.05 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1990 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.8/10 and Corr.1)

UNIDO POLICIES (continued):

(a) UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1990

(b) ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

(c) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN

(d) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC

(e) DEVELOPMENT OF HUMAN RESOURCES

(f) TRANSFER OF TECHNOLOGY

(g) ENERGY PROGRAMME

(IDB.8/9, IDB.8/10 and Corr.1, IDB.8/13, 16, 17, 24-26, 29, 46 and Corr.1 and 47)

1. Mr. ØSTERGAARD-ANDERSEN (Denmark), speaking on item 5, drew the attention of the Board to document IDB.8/47 concerning the International Conference on Ecologically Sustainable Industrial Development, to be held at Copenhagen from 14 to 18 October 1991. The Conference would be organized by UNIDO and sponsored by the Government of Denmark. All Member States of UNIDO had

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already been invited to the Conference, which would also be open to invited organizations of the United Nations system, intergovernmental organizations and international non-governmental organizations, including industrial federations. His Government hoped that Member States, in view of the importance and urgency of the problems to be discussed, would be represented at the ministerial level.

2. He also drew the Board's attention to the invitation by the Director-General to a preparatory meeting for the Copenhagen Conference to be held at Vienna from 23 to 25 July 1991, with the purpose of advising on the policy conclusions to be adopted at Copenhagen. In order to ensure thorough and dependable preparation for the Conference, his delegation urged Member States to be represented by senior experts at the preparatory meeting. It hoped that the Conference would lead to a broad consensus on national policies and on the role of UNIDO in contributing to ecologically sustainable industrial development. The declaration of the Conference could provide an important input for the United Nations Conference on Environment and Development, to be held in Brazil in 1992.

3. Mr. TALIANI (Italy), speaking on item 5 (f), said that his delegation had noted with interest the progress report in document IDB.8/24 on the UNIDO programme for development and transfer of technology. In particular, it was pleased with the reported progress, on both the institutional and operational fronts, in connection with the International Centre for Genetic Engineering and Biotechnology (ICGEB). The necessary number of ratifications had nearly been reached, and the Director-General should be encouraged to proceed expeditiously towards the formal setting up of ICGEB as an autonomous centre, especially in view of the fact that the Centre was beginning to gain recognition in the scientific world.

4. His delegation also noted with appreciation the establishment of an international centre for science and high technology (see document IDB.8/46 and Corr.1), an initiative which was fully in keeping with General Conference resolutions GC.2/Res.4 and GC.3/Res.7, and was currently completing its preparatory phase. With regard to funding for the new international centre, he said that the shift from trust fund financing to funding within the framework of the Industrial Development Fund represented a welcome improvement.

5. His delegation acknowledged with satisfaction that, in the preliminary phase of pilot activities, coordination had been maintained with various scientific institutions and within the United Nations system. In view of the financial situation of UNIDO, the centre would be financed exclusively from voluntary special-purpose contributions. Its objectives, areas of research and proposed activities were set out in paragraphs 11 and 12 of document IDB.8/46. In that connection, he suggested that the draft decision suggested by the Secretariat should explicitly mention the composition of the international scientific committee for the centre, stating that an adequate participation of qualified scientists from developing countries should be ensured.

6. If, as his delegation hoped, the Board approved the establishment of the centre, the Italian authorities were prepared to draft a law, to be submitted for approval to the Italian Parliament as soon as possible, which would include provisions for a regular annual financial contribution to support the operations of the centre. In order to provide a solid basis for the new law, the Italian Government would have to conclude a comprehensive agreement with UNIDO, which would incorporate the institutional structure of the new centre as outlined in document IDB.8/46. A positive decision by the Board would permit finalization of the agreement and of the law which would ensure stable funding of the centre's operations over the years.

7. Mr. PABON GARCIA (Observer for Venezuela), speaking on items 4 and 5, said that his delegation appreciated the efforts made by UNIDO to increase the share of the Latin American and Caribbean region in technical assistance projects, but considered that share still to be relatively small. His country attached high priority to South-South cooperation. While it endorsed the approach being taken by the Organization to industrial cooperation among developing countries, it felt that the resources assigned to that activity under the operational budget were insufficient. His delegation supported the framework proposed by the Director-General for those components of UNIDO programmes which represented economic and technical cooperation among developing countries (see document IDB.8/13, chap. II).

8. It welcomed the support shown by Member States for the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean, and in particular for the project for the industrial automation of the capital goods sector in Latin America. It noted with concern, however, the slow progress being made in the preparatory work for the remainder of the projects comprising the original Cooperation Programme and the paucity of the resources allocated to those preparations under the proposed regular budget. It urged the Secretariat to accelerate the process.

9. With regard to the proposed energy programme, his delegation realized that the price of energy, and in particular the anticipated cost of petroleum, were a critical factor in energy planning. It nevertheless wondered why the programme provided for no action by the Organization in relation to that and other non-renewable sources of energy - a surprising omission in view of the importance to countries of utilizing local resources. If a global shortage of oil-producing capacity by the end of the century was to be averted, consumer countries, petroleum companies and both OPEC and non-OPEC producer countries must invest substantially in the expansion of production capacity. Since a stable energy market was vital for all countries, his delegation welcomed the attention being paid by UNIDO to the development of new and renewable sources of energy and to the relationship between that process and the protection of the environment. The Organization's energy programme, rather than discriminate against non-renewable sources of energy, should promote the sustained economic growth needed to alleviate their environmental impact. UNIDO should cooperate closely with other international organizations responsible for energy problems and with producer countries and regional energy bodies such as the Latin American Energy Organization.

10. In conclusion, his delegation endorsed the remarks made by the Mexican representative at the previous meeting. Together with the environment programme, the proposed energy programme should be financed solely from extrabudgetary resources.

11. Mr. MANSINGH (India), speaking on item 5, said that his delegation had consistently argued that greater attention should be paid to ECDC/TCDC projects, and as part of that commitment it had supported a number of projects in the area of enterprise-level cooperation between small and medium enterprises in India and some other developing countries in specific industrial sectors, in addition to regional consultations and workshops funded from his country's special-purpose contribution to the Industrial Development Fund. It was also supporting projects in such fields as training for entrepreneurship development, standardization and quality control, and the setting up of computerized databases and a network of subcontracting exchanges in Asia. It had also provided support for the establishment of a computerized database in the Ministry of Industry, linked to INRES-South, to facilitate exchange of information on possible areas for ECDC/TCDC. His country intended to continue its commitment, and would welcome any worthwhile project in that field for possible financing from its special-purpose contribution to IDF.

12. His delegation had always highlighted the need for a sharper country focus in the technical cooperation activities of the Organization and the strengthening of the Area Programmes Division, and particularly the system of UNIDO Country Directors. The upsurge in technical cooperation delivery and ECDC/TCDC could largely be attributed directly to the measures recently taken in that regard.

13. The developing countries had repeatedly stressed the need to initiate specific programmes to ensure that their share in the total procurement of supplies and services by the Organization for its technical cooperation activities should not be less than 25 per cent, a proportion determined by the Board at its fourth session and subsequently endorsed by the General Conference. While some steps had been taken by the Secretariat in that direction, his delegation did not regard them as adequate. Efforts in that regard must be stepped up if the Organization seriously intended to achieve its goal within a reasonable and specified time-limit.

14. His country was fully committed to the concept of technical cooperation among developing countries (TCDC) for the development and transfer of technology, and was one of the host countries for the International Centre for Genetic Engineering and Biotechnology, for which his Government was making land and buildings available in New Delhi. The premises were at an advanced stage of construction, at a cost of $10 million, and were expected to be ready by early 1992. In addition, it was providing equipment to the value of $5 million, half of which had already been delivered to the Centre. It was also contributing to the running costs of the Centre, which amounted to $700,000 per year.

15. One noteworthy development was the participation of the private sector in the Centre's research and development activities. His Government had approved a grant of $2.5 million by an Indian pharmaceuticals company to the Centre for dedicated research, the results of which would be available to others within the framework of the relevant tripartite agreement. It foresaw further participation by the private sector in the Centre's activities. He urged Member States, and particularly developing countries, to associate themselves with the Centre in the near future in order to take advantage of its facilities.

16. The development and flow of technologies were the key factor in the industrial development of developing countries, particularly in the areas of modernization and technological upgrading, rehabilitation, energy and pollution control. His delegation therefore welcomed the proposal to establish an international centre for science and high technology.

17. His country had also been supporting ECDC/TCDC projects in other fields, and was pleased to note that the project on cooperation between India and African countries in the field of telecommunication equipment had yielded positive results. It was also supporting a project for ECDC/TCDC between India and other developing countries in the field of the exploitation of marine/seabed non-living resources.

18. His delegation welcomed the fact that considerable work had already been done on the Special Programme for the Industrial Development of Asia and the Pacific. It requested the Director-General to ensure speedy implementation of the identified projects, with effective linkage and coordination between the approved programmes in the region.

19. With regard to the energy programme, he welcomed the initiative taken by the Organization as energy deficiency was a major factor retarding industrial growth in the developing countries. However, energy efficiency, modernization and technological upgrading and environmentally-friendly technologies went hand in hand. Energy should be an integral part of the overall technical cooperation activities of UNIDO.

20. Mr. PAREDES PORTELLA (Peru) said that he wished to express his delegation's gratitude to the Secretariat for its efforts on behalf of the Regional Cooperation Programme for the Economic Recovery of Latin America and the Caribbean, and to those countries which had pledged resources for the Programme, particularly with regard to the projects on subcontracting and capital goods. It was to be hoped that all the projects envisaged would be implemented as soon as possible.

21. The Director-General's report on the Programme (IDB.8/25) had the merit of being concise, but it should be supplemented by information presented orally by the Secretariat. More detail would be welcome regarding the implementation of each of the projects already identified. He noted that, of the five original projects, the project on subcontracting was fully operational, and would be followed shortly by the capital goods project. The Secretariat should endeavour to expedite work on the three remaining projects and to formulate additional projects. Funds available for the Programme were modest, particularly in comparison with those earmarked for other regional programmes.

22. In order to ensure that the Regional Cooperation Programme had a significant impact on the economies of the developing countries in the

region, his delegation suggested the following guidelines: (1) there should be greater coordination with the Secretariat so that it was not left to delegations to take the initiative in ensuring that projects were followed up; (2) there should be cooperation with the Latin American and Caribbean group in seeking funds for projects; (3) clear and concise progress reports should be compiled for each project and regularly updated; (4) the Secretariat should continue to submit technical studies for new projects so that the Programme remained dynamic; and (5) there should be a major change in the way funds were used within the Programme. In connection with the last point, he noted that up to 50 or 60 per cent of project funds were absorbed by the staff component, a proportion which, as his delegation had pointed out in the past, was excessive. Overall, greater efforts were needed to ensure the success of the Programme, which had already been in operation for two years and was facing additional constraints and additional demands.

23. Mr. GUTIERREZ LEYTON (Chile) noted that, according to the 1990 annual report (IDB.8/10 and Corr.1), a number of UNIDO's technical cooperation activities had been curtailed due to the financial difficulties of the Organization, a circumstance attributed by the Secretariat to the failure of Member States to pay their assessed contributions. Nothing was said about the real financial impact of the acquisition of the electronic data-processing system, for which 10 per cent of the operational budget was being allocated. His delegation considered that that budget should be used solely for technical cooperation activities, and could see no justification for the claim that more than half of the mainframe time would be used for those purposes.

24. Referring to economic and technical cooperation among developing countries, he said that operative paragraph 3 of General Conference resolution GC.3/Res.9, calling for a substantial increase in funds for the ECDC/TCDC components of UNIDO programmes, seemed not to have been implemented. The ideas put forward in paragraph 12(2) of document IDB.8/13 were vague. In his delegation's view, insufficient attention had been given to opportunities for South-South cooperation at the private sector level or directly between enterprises. There was also a need for greater cooperation with the international agencies providing funds for such activities; however, in order to attract funds the programmes must be concrete and of high quality. His delegation proposed that at least 10 per cent of the operational budget should be spent on ECDC/TCDC projects, with emphasis on participation by the least developed countries.

25. Mr. FAROOQI (Observer for Pakistan), speaking on items 4 and 5, commended the Secretariat for having increased delivery of technical cooperation in 1990. The Organization should direct even more resources to technical assistance in areas in which the industrialization of the developing countries could be maximized. One such area was the acquisition of up-to-date technology, an objective that would have to be achieved through joint ventures between developed and developing countries and the strengthening of the latter countries' technological information agencies. His delegation particularly supported the idea of transferring technology by means of economic and technical cooperation among developing countries; those of them which had acquired a high level of technology had a moral obligation to assist the others in that respect. The Organization should implement a well-defined strategy for the transfer from the developed to the developing countries of appropriate technology; that did not mean second-rate technology, but technology which added the greatest possible value to indigenous resources. His delegation urged the Secretariat to initiate steps for transferring technology to developing countries free of cost in crucial sectors of industrial development such as energy, the environment and industrial rehabilitation, and to promote its transfer to those countries in key areas such as computer software development, electronics, petrochemicals, genetic engineering and high-performance composite metals, in which beneficial secondary effects would be generated for their technological capacity.

26. Speaking on behalf of the Asian group of countries, he approved the long-term financial arrangements and institutional structure suggested by the Director-General for the establishment of the proposed international centre for science and high technology.

27. Successful industrialization necessitated, among other things, research and development institutions, quality control systems and marketing services. UNIDO could assist developing countries in that respect not only by providing consultancy but also by making training facilities and hardware available to them, on both a North-South and a South-South basis. Institutions of developing countries thus strengthened could in turn assist the least developed countries.

28. His delegation had noted with satisfaction the Director-General's report on the Special Programme for the Industrial Development of Asia and the Pacific (IDB.8/28). The Programme should be financed from the regular budget, the Industrial Development Fund, trust funds or other sources. UNIDO should not only strengthen the components of the Programme that related to the metalworking, food-processing and marine fishing industries but also extend it to other sectors if so requested by States in the Asian and Pacific region, for example to small- and medium-scale industries in rural areas.

29. Mr. RIBEIRO DA SILVA (Brazil), speaking on item 5, said that his delegation welcomed the decision to discuss UNIDO technical cooperation activities in 1990 as a separate sub-item on the Board's agenda. That would enable the developing countries to arrive at a clearer analysis of trends in the quality and effectiveness of projects, their financial needs and their components. In that connection, he noted that the component of staff costs remained at a high level, and the Secretariat should take steps to reduce it.

30. The list of technical cooperation projects approved and/or operational in 1990 (IDB.8/CRP.1) represented an improvement on its predecessors in that the inclusion of the dates of approval and the expected dates of completion of projects rendered it less liable to misinterpretation. However, there might be room for further improvements when the question of "successor arrangements" with UNDP was settled and the possibility emerged of a new project cycle.

31. Despite the pressure on UNIDO to provide more technical cooperation for developing countries, the financing of operational activities remained problematic. Mention had been made of the need for Member States to pay their assessed contributions, but he wished to stress the commendable effort made by developing countries to pay as much as possible, despite serious domestic difficulties. It should also be recalled that the financial crisis and its consequences for the availability of funds for technical cooperation were also closely related to the introduction of the electronic data-processing system.

32. In connection with economic and technical cooperation among developing countries, he said that document IDB.8/13 contained proposals for ECDC/TCDC which could provide useful guidelines for UNIDO, although the delay in distributing the document had made it difficult for delegations to study it carefully. Referring to the specific objectives (IDB.8/13, para.12), he said that objective (9), which dealt with industry-related environmental policies, was important, but that the idea of carrying out demonstrations of clean technologies might be outside the scope of ECDC/TCDC activities. What the developing countries needed was the transfer of clean technologies, on a non-commercial basis, from the industrialized countries. With regard to objective (12), he urged the Secretariat staff involved further to elaborate internal guidelines in order to make ECDC/TCDC, whenever possible, a component of UNIDO's project design and implementation, for example through briefings for experts prior to field assignments.

33. His country fully recognized that the role of the developing countries themselves in ECDC/TCDC was crucial, and his Government was making efforts in that area by studying possibilities of funding such activities under his country's indicative planning figure (IPF) and with the help of third countries. It would endeavour to cooperate with UNIDO in that respect, but appealed to the Organization to maintain and enhance the financial allocations for ECDC/TCDC.

34. Mr. KOSTENKO (Ukrainian Soviet Socialist Republic) said that it was clear from the annual report (IDB.8/10 and Corr.1) that UNIDO was continuing to experience significant financial difficulties due to the non-payment of contributions by Member States. His delegation was concerned to note that that situation had persisted into the current year, and that the Organization had been obliged to resort to a strategy of survival. If such a situation were to continue, it would have disastrous consequences for UNIDO's programmes.

35. At the same time, he was pleased to note that, despite the financial difficulties, the Organization had succeeded in raising the level of technical cooperation delivery, and that quantitative growth had been accompanied by enhanced quality in the projects carried out.

36. Particularly praiseworthy was the expansion of the process by which projects were reviewed before approval in the light of their possible environmental impact. Such an analysis would help UNIDO to play its part in resolving global ecological problems.

37. UNIDO had done important work in the development of human resources, and was continuing to improve its strategy in that field, paying due attention to the regional and country specificities.

38. His delegation took note of the Director-General's reports on progress made since September 1990 in the implementation of the programme for development and transfer of technology (IDB.8/24), which provided useful information, and his report on the long-term arrangements for the establishment of an international centre for science and high technology (IDB.8/46), a project which his delegation hoped would soon be realized.

39. It was a matter for regret that a number of planned new programmes in technology development and transfer had not been implemented due to financial constraints. In his delegation's view, prompt practical implementation of the concept of creating and developing a national technological potential in the developing countries would ultimately help to accelerate their industrial development. The Ukrainian SSR was endeavouring to promote that process, and since 1972 had been cooperating with UNIDO, through the Institute of Electric Welding of the Academy of Sciences of the Ukrainian SSR, in holding seminars on electric welding, to which specialists from Asia, Africa and Latin America were invited. In his delegation's view, UNIDO should pursue the practice of holding such technological seminars, and expand their scope.

40. UNIDO's energy programme, outlined in document IDB.8/9, was noteworthy in that it focused not only on energy savings, but also on ensuring ecologically sound and sustainable industrial growth. The Chernobyl tragedy had shown the world the catastrophic consequences which might arise from miscalculations in the energy development field. In general, his delegation took a positive view of the document. At the same time, it wished to recommend that, when the projects mentioned in the programme were implemented, greater attention should be paid to the aspect of ecological safety in energy development. In that connection, his delegation was sponsoring a proposal for a decision by the Board on UNIDO's participation in international cooperation to mitigate and overcome the consequences of the accident at the Chernobyl nuclear power plant, on the basis of General Assembly resolution 45/190. Unfortunately, the hazards resulting from the accident had not diminished over the ensuing five years: more than 1.8 million people, including 380,000 children, continued to be affected by the high level of radiation in the Ukraine, and the overall area of radioactive pollution covered 3.5 million hectares. Taking into account the activities undertaken by the United Nations Coordinator for Chernobyl, UNIDO could, within its sphere of competence, extend assistance to the Ukraine, in particular through the construction of industrial plant and the development of new technologies, materials and food products. His delegation recognized that the resources for implementing projects in connection with Chernobyl would have to be sought outside the Organization. He expressed the hope, however, that the draft decision would be supported by Board members.

41. Mr. Kostenko (Ukrainian Soviet Socialist Republic) took the Chair.

42. Mr. ATTAVIPACH (Observer for Thailand), speaking on item 5, said he would deal first with UNIDO technical cooperation activities in 1990.

His delegation recognized that it was in the nature of project delivery that the cost of one component should regularly outweigh that of others; thus the cost of project personnel - the expert component - naturally predominated in infrastructural projects, that of equipment in technological projects and that of training in support projects. Nevertheless, with the aim of using the Organization's resources more efficiently, steps could and should be taken to increase the amount spent by the Department of Industrial Operations as a whole on equipment and training - particularly if project implementation by the beneficiary Government was taken into account - with a corresponding decrease in the ratio of overall expert component costs to other costs.

43. It was regrettable that UNIDO had been unable to allocate more funds to ECDC/TCDC. At least 10 per cent of the operational budget should be spent on that activity and, in the Organization's technical cooperation projects, the use of experts, services and equipment from developing countries should be expanded to reach the level of 25 per cent called for in Board decision IDB.4/Dec.15. His Government fully approved the action undertaken by UNIDO to organize solidarity meetings for the benefit of the least developed countries; it had participated in those meetings and would continue to assist the least developed countries both multilaterally within the ECDC/TCDC framework and bilaterally through its international assistance programme.

44. In connection with the Special Programme for the Industrial Development of Asia and the Pacific, his delegation noted with satisfaction the action described by the Director-General in paragraphs 2 and 3 of his report (IDB.8/26). His Government suggested that all the seven priority areas of activity mentioned in paragraph 3 of the pertinent General Conference resolution (GC.3/Res.18) should be covered fully when final proposals were submitted to UNDP for inclusion in its intercountry programme for Asia and the Pacific for the fifth cycle. UNIDO should encourage the region's least developed, land-locked and island developing countries to enter the mainstream of development by participating more actively in existing regional networks such as those for agricultural machinery, pesticides development and low-cost building materials technologies and construction systems.

45. The energy programme proposed by the Director-General for the biennium 1992-1993 should be supported in the same manner as the closely related environment programme. In order not to lessen the net flow of aid from the Organization to developing countries, the energy programme should be funded from an energy trust fund and special-purpose contributions, as recommended by the Director-General in his report (IDB.8/9, para. 84). Any saving made under the regular budget might be used for the preparatory phase of the programme. UNIDO should cooperate closely with the many international organizations concerned with energy problems and with oil-producing and oil-consuming countries.

46. In conclusion, his delegation fully supported the Secretariat's decision to convene a Conference on Ecologically Sustainable Industrial Development in preparation for the United Nations Conference on Environment and Development to be held in 1992. It commended the Government of Denmark for its generous contribution to the Industrial Development Fund to enable the UNIDO Conference to take place. Since full participation was necessary to ensure its success, he hoped that donor countries in a position to do so would consider sponsoring the participation of those developing countries such as his own which would not otherwise have the means to attend.

47. Mr. D. POPOV (Bulgaria) expressed his delegation's approval of what the Organization had achieved in 1990 despite the serious financial difficulties it had experienced. It particularly appreciated the information on technical cooperation activities provided by the Director-General in the list of projects approved or operational in 1990 (IDB.8/CRP.1), his report on those activities (IDB.8/16) and the relevant chapter of the annual report (IDB.8/10). His delegation had noted with satisfaction the technical cooperation which UNIDO had provided and the area programmes on which it had been based.

48. However, despite its generally favourable assessment of the Organization's work, Bulgaria urged the Secretariat to employ more flexible forms of cooperation, including so-called "umbrella" projects, which could cater quickly and cheaply for urgent requests for assistance. Fundamental changes had taken place in central and eastern Europe - in particular in Bulgaria - which called for massive action to transform the economies of the countries concerned from a system of central planning to one of market orientation. To that end, UNIDO should elaborate a methodology for those countries to solve industrial management problems, make the maximum use of its Professional staff to provide them with consultancy services, and assist them at the enterprise level.

49. He expressed his delegation's particular satisfaction at the cooperation afforded by various units of the Secretariat. His country's experts paid special attention to the work of the International Centre for Genetic Engineering and Biotechnology, whose activities would be stimulated if more countries joined it. His delegation believed that the priorities for the Organization's technical cooperation activities should be the restructuring of industry and enterprises, the environment and agro-industries.

50. Mr. AYADI (Algeria) associated himself with those speakers who had criticized the delay in the distribution of sessional documents.

51. He said that the resumed seventh session of the Programme and Budget Committee had pointed up the magnitude of the difficulties facing the Organization, difficulties that, if not quickly overcome, threatened to distract UNIDO from its basic objective of promoting industrial development in the developing countries, and to undermine its credibility. It was regrettable that the meetings of UNIDO's policy-making organs were increasingly dominated by administrative, budgetary or managerial issues rather than by substantive questions concerning the industrialization of the developing countries. The persistence and exacerbation of management problems had led to a psychological climate that was proving harmful to the Organization's operation and effectiveness. That unfortunate situation was not the responsibility of the Member States. It was to be hoped that the Board's present session might provide an opportunity for remedying the situation through a constructive

debate enabling the Organization to tackle its statutory tasks.

52. The annual report contained in document IDB.8/10 and Corr.1 undoubtedly provided a good basis for discussions. It showed, above all, that, in the face of the worsening economic and social situation in the developing countries, there was a gap between what those countries expected of UNIDO and what the Organization was able to accomplish with the limited resources at its disposal. The financial problems were aggravated by the continuing practice of zero real-growth budgeting, by the non-payment of assessed contributions by some of the major contributors and by the considerable cost overruns incurred as a result of the computerization programme, in the carrying out of which the Secretariat had clearly overstepped its authority.

53. Faced with that situation and the need to implement the programmes approved by the policy-making organs, the Secretariat had increasingly resorted to financing through trust funds and special-purpose voluntary contributions. Without objecting in principle to the use of resources of that kind, his delegation wished to reiterate its concern at a trend that could in time limit UNIDO's room for manoeuvre in programming and in the setting of priorities, and cause it to stray from its original mandate.

54. In order to avoid that danger, taking account of the Organization's dwindling resources, the Director-General should do all he could to concentrate on sectors of high priority to the developing countries and on those regions or country groups defined as having priority importance by the policy-making organs and the international community. In that connection, Africa, given its particular situation, should continue to enjoy special status and sustained attention within UNIDO.

55. The proclamation by the international community of the Second Industrial Development Decade for Africa, and the expected adoption of the programme for the Decade by the African Ministers of Industry in the near future represented new challenges that UNIDO should prepare to meet by a qualitative improvement of the services responsible for carrying out the programme.

56. The Algerian delegation ascribed great importance to the implementation of the special regional programmes, including the Special Programme for Industrial Development in the Arab countries. That Programme should be implemented in cooperation with the regional groupings.

57. With regard to the System of Consultations, an instrument of particular importance to the developing countries, his delegation believed that it could contribute more to the strengthening of industrial cooperation if some improvements were made in the follow-up of recommendations. The measures that had recently been taken by the Secretariat in accordance with the recommendations made at the General Conference following the evaluation of the System had the full support of his delegation.

58. He wished to express the satisfaction of his delegation at the increase in technical cooperation delivery and the general improvement in the quality of technical cooperation projects in 1990, and to encourage the Secretariat to continue along that path despite the difficulties of the present moment.

59. He welcomed the Secretariat's proposals regarding environmental and energy-related issues. That was an important programme that deserved particular attention.

60. UNIDO should continue to encourage the active participation of the developing countries in the process of the globalization of industry in order that they might effectively integrate their markets and improve their productivity. It should do more through concrete measures to support the efforts of the developing countries along those lines, particularly in the case of countries in regions where the situation had deteriorated to a particularly alarming degree.

61. Mrs. MARRERO (Cuba), speaking on item 5, said that the technical cooperation provided by UNIDO could be improved further in order to make the most efficient use of the Organization's slender resources. To that end, the results achieved by technical assistance projects should be monitored more closely once projects had been implemented. The problem of matching results to expenditure was one which could be solved within UNIDO. She associated herself with those delegations which had criticized the share of resources allocated by the Organization to the Latin American and Caribbean region. She expressed the hope that Cuba would continue to benefit from a high percentage of projects implemented by UNIDO.

62. Her delegation was gratified at the achievements of the Organization in promoting economic and technical cooperation among developing countries. It was important to strengthen the links between UNIDO and bodies such as UNDP, the Economic Commission for Latin America and the Caribbean and the Latin American Economic System with a view to expanding the use of developing countries' goods and services in technical assistance projects.

63. Her Government continued to support fully the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean and to urge its speedy implementation. Every country in the region should be entitled to participate freely and on an equal footing in any project which the Programme included. All its projects should be regional, so as to give the Programme its maximum potential for benefiting each of the countries in the region. A suitable regional mechanism was needed for their implementation. Her delegation expressed satisfaction at the inception of the project on industrial automation of the capital goods sector and hoped that the remainder of the projects included in the Programme would yield the beneficial results which Cuba expected to be forthcoming from the automation project.

64. In conclusion, her delegation approved the arrangements suggested for the proposed international centre for science and high technology, but warned against the danger of proceeding too rapidly towards its establishment without due consideration of what was involved.

65. Mr. YOGASARA (Indonesia) commended the 1990 annual report (IDB.8/10 and Corr.1) and the

Director-General's progress report on the implementation of the Special Programme for the Industrial Development of Asia and the Pacific (ID8.8/26), and expressed gratitude to UNIDO, UNDP and the five donor countries (Belgium, France, Germany, Japan and the United Kingdom) which had supported the implementation of 16 regional projects worth more than $3 million.

66. The Indonesian delegation particularly favoured the continuation of projects focusing on the agro-related metalworking industries, the food-processing industry and marine-based industries for industrial development; it further believed that economic and technical cooperation among developing countries should be incorporated in the regional programme, the preparation of which should be adequately financed from the regular budget or from other sources. The programme should be implemented in close cooperation with the Economic and Social Commission for Asia and the Pacific (ESCAP).

67. Turning to the UNIDO energy programme, as set out in document ID8.8/9, he endorsed the Director-General's proposals, and welcomed the fact that environmental and technological issues were also discussed in the document. His delegation was also of the view that UNIDO should promote the provision of technical assistance to developing countries in diversifying the supply of and demand for energies based on oil, gas, coal and biomass, as well as thermal, solar, wind and hydropower, according to the availability of such resources.

68. Noting that the energy programme was subdivided into three subprogrammes covering the issue of energy for industrial development, and a fourth concerned with the issue of industry for energy, he proposed that UNIDO undertake a series of studies, to be financed from extrabudgetary resources, on the themes of "energy for industry" and "industry for energy"; and that those topics be included in the System of Consultations for the biennium 1994-1995.

69. Mr. EFIRD (United States of America) said that, notwithstanding the importance of all the issues covered by item 5, he would concentrate on the proposed energy programme, which he saw as a critical element in the much-needed qualitative improvement of technical assistance delivery. UNIDO had many energy-related technical assistance programmes, and the relative proportion of such programmes had increased steadily during the past decade; that reflected the importance of energy in the changing world economy. The programme proposed was an important companion to UNIDO's newly established environment programme. He presumed that, like the latter, the former would begin on a modest scale, with stress on training and other measures which had minimal financial implications. During the past year, the United States had provided a professional employee to help initiate the programme without the need for new funds; it was to be hoped that all Member States would accord it their encouragement and support.

70. Mr. CONSTENLA (Costa Rica) said that he had been alarmed to hear the Director-General suggest, in his introductory statement at the first meeting, that "honouring financial commitments to the Organization went hand in hand with the right to air views, critical or otherwise, about its activities" (ID8.8/SR.1, para. 18). Coming as he did from a small country devoted to the principle of freedom of expression, he was disturbed that the Director-General should question the right of Member States to express their opinions.

71. Turning to item 5, he expressed satisfaction with the Organization's attachment to the development of human resources. He noted that, according to paragraph 4 of document ID8.8/17, the training component of technical cooperation projects amounted to around 15 per cent of the resources allocated, and that, according to paragraph 7, activities had been increased in the training-of-trainers programme, although no specific figures were provided. The reference to the multiplier effect of training, in paragraph 8 of the same document, was pertinent.

72. He noted with satisfaction that a training programme on the manufacture of tools and spare parts had been organized for the Latin American and Caribbean region (para. 10): it was well known that shortcomings in that area were among the major causes of low productivity.

73. Regarding group training programmes, he noted with satisfaction the information on the programmes conducted between October 1990 and March 1991 (para. 15). He also noted the information in paragraph 20 on programmes aimed at helping countries to improve the local investment climate. With regard to paragraph 48, the Director-General was to be commended on his decision to opt for a full-scale in-depth evaluation of human resource development activities, rather than a minimum evaluation approach.

74. Lastly, in connection with item 5 (a), concerning UNIDO technical co-operation activities in 1990, his delegation noted with some concern the decline of about $9 million in the level of overall project approvals from 1989 to 1990.

75. Mr. BOKONGA (Zaire) said he noted with appreciation the substantial increase in the value of industrial operations between 1989 and 1990. UNIDO's Member States consistently stressed the importance of programming by region and by sector. Zaire had taken the decision to rehabilitate its iron and steel industry, created in the 1970s, with the aim of diversifying production so as to permit it to respond to the requirements of many of the countries of central Africa, and advance the policy of creating integrated subregional industrial areas in the continent. In that undertaking, UNIDO's assistance would be greatly needed.

76. His delegation endorsed the proposed creation of an international centre for science and high technology.

77. Mr. PLUG (Netherlands), referring to item 5 (f), expressed regret that the background document (ID8.8/24) had been issued at such a late hour that detailed consideration of its contents had been impossible. That was all the more disappointing as the transfer of technology was one of the priorities of the medium-term plan, an issue to which great importance was attached, and one which called for a great deal of coordination between UNIDO and other bodies active in the same field. Noting from the document in question that the International Centre for Genetic Engineering

and Biotechnology might soon become an autonomous centre, he said that the Netherlands had decided not to become a partner to ICGEB for the principal reason that it preferred to focus on demand-driven activities (i.e., activities constituting a response to a pre-existing demand), preferably developed and implemented in the developing countries, rather than on what might be called the supply-driven approach (by which he meant basically a response to an available supply of expertise), which was what appeared to characterize ICGEB at present. His country would take the same stand in connection with the proposed international centre for science and high technology, the creation of which - and especially its financing - should be the subject of prior discussion in the Board. At all events, were such a centre to be created under UNIDO's auspices, the Netherlands would argue that it should be financed from the special-purpose segment of the Industrial Development Fund, and under no circumstances from the regular budget.

78. Mr. KRUGER (Observer for Nicaragua), remarking that his delegation was participating in the work of the Industrial Development Board for the first time since the change of government in Nicaragua, confirmed his country's attachment to UNIDO as a major force for modernization, and its reliance on the Organization's help for the rehabilitation and reconstruction of its debilitated economy: he was thinking particularly of investment promotion, the analysis of industrial development policies, privatization and modernization programmes. At the same time, UNIDO, together with other organizations of the United Nations system and the international community at large, were to be thanked for their sustained assistance, encouragement and solidarity during the past years of conflict and difficulty, and for their faith that Nicaragua would ultimately overcome the major impediments to peace after a period during which its infrastructures and productive systems had been in a state of constant and damaging upheaval.

79. That solidarity had encouraged Nicaragua in its turn to labour for peace, both at home and throughout the region, on the basis of reconciliation as the only means of overcoming major differences. Through agreement and dialogue, it was endeavouring to create a form of democratic culture that would enable it to play a more active part in a similar process of reconciliation on a world-wide scale as, at the century's end, the negative forces of ideology and confrontation appeared to be on the wane.

80. Mr. OKUTU (Uganda) said that his delegation was pleased to note the information provided concerning UNIDO technical cooperation activities. However, it was concerned at the decline in the level of overall project approvals: the Director-General should be encouraged to do everything possible to reverse that trend. The assistance approved for the strengthening of the Uganda Bureau of Standards would make a welcome contribution to rehabilitation and restructuring programmes in the manufacturing sector. He agreed with the Director-General that the Area Programmes Division should be the focal point for technical cooperation activities; he welcomed the new location of the Coordination Unit for IDDA and urged closer cooperation between the Africa Countries Programme and the unit concerned with the least developed countries.

81. Underdevelopment of productive forces - science, technology and modern management skills - lay at the root of Uganda's economic problems. Moreover, an economy could not transform itself without the emergence of an indigenous class of industrialists and entrepreneurs, and his country had frequently called for steps to stimulate the emergence of such a class, equivalent to that which had spearheaded the industrial revolution in Europe and North America. UNIDO's role in promoting that emergence and in strengthening management and accelerating the acquisition of science and technology could not be understated. He noted with satisfaction that a number of African women had benefited from UNIDO fellowships and study tours in 1990. He urged the Director-General to continue to accord proper significance to human resource development in all the Organization's cooperation activities, and to ensure that the integration of women in industrial development enjoyed high priority.

82. Concerning UNIDO's energy programme, he observed that the energy factor was all the more important to oil-importing developing countries. The question of what would power the country's industrialization was preoccupying Uganda's decision makers. While the programme proposed by the Director-General was to be welcomed, the issues raised and the actions proposed seemed not fully to reflect the preoccupations of the non-industrialized countries. For example, the need to reduce energy dependence had not received adequate attention. Foreign exchange requirements for the purchase of petroleum products hampered development in general, and aggravated the debt situation. While more than half of Uganda's foreign exchange earnings were spent on oil, used mainly in the transport and industrial sectors, pressure on the country's forests, in response to the requirements of rural and urban based agro-industries, was steadily destroying what could have been husbanded as a renewable, development-favouring resource. Energy was a requirement for industrial development, and UNIDO's programme should focus on ways and means of harnessing energy resources in such a way that development would be enhanced without compromising the environment. It should be added that Uganda, far from believing that environment and economic development were diametrically opposed concepts, considered them to be complementary. For all those reasons, he would favour a reformulation of the energy programme after further consultations with Member States.

83. Mr. Tofigh (Islamic Republic of Iran) resumed the Chair.

84. Mrs. TALLAWY (Egypt) said that the Director-General, in his opening remarks, had reminded the Board that its concern should be to improve the quality of life of the peoples of the developing world. That was what made the interference of other issues, including the "computer tragedy", so distressing.

85. There was still room for improvement in the quality and the volume of technical cooperation activities; moreover, the effectiveness as well as the value of projects should be the subject of attention. The costs of the expert component appeared to be excessively high in the Arab, African and Latin American countries and, given that the purpose of technical cooperation was to help build up the industrial capacities of the developing countries, it was disturbing to learn

of official visits that were called "industrial projects". On the other hand, her delegation endorsed the proposed framework for enhancing cooperation among developing countries themselves, in accordance with the priorities established in the medium-term plan; interregional cooperation should also be increased. The donor community should be invited to increase its support for ECDC/TCDC. The importance of implementing the Buenos Aires Plan of Action and of enhancing UNIDO's role in TCDC should also be highlighted.

86. Human resources development was a priority area for UNIDO's activities. Care should be taken to avoid waste as a result of inadequate setting of priorities. The priorities and needs of the developing countries should be taken duly into account. Training might be concentrated on such areas as computer-aided design, quality control and maintenance. The programme for the training of trainers should be upgraded as a tool for promoting self-reliance. There should be more projects oriented towards women; the participation of women in all of UNIDO's activities should be increased, and more fellowships awarded to women.

87. The proposed energy programme (see document IDB.8/9) was to be welcomed, especially the components concerned with enhancing the capacity of UNIDO to provide support to energy-related aspects of industrial development and with the transfer of technology. With regard to subprogrammes II and III, while recourse to locally available alternative sources of energy should certainly be encouraged, that should not become a condition for the approval of projects. In sum, her delegation appreciated UNIDO's desire to fill the gap due to the absence of international institutions dealing with energy, but would point out that the Organization's essential role was to furnish assistance and advice, and not to impose solutions.

88. Mr. TALUKDAR (Observer for Bangladesh) congratulated the Director-General and the Secretariat on the comprehensive report and documentation provided for the Board and expressed appreciation for the help of the Liaison Office in Geneva, which kept delegations not represented in Vienna abreast of developments there. He hoped that the Geneva Office would be maintained.

89. He noted with satisfaction the upward trend in the delivery of technical assistance and the increase in investment funds, which testified to the dynamic leadership of the Director-General and the dedication of the Secretariat. However, his delegation agreed that there was a need to look into the possibility of rationalizing the cost of experts in the technical assistance programme.

90. His delegation would like to see an expansion of economic and technical cooperation among developing countries. However, the developing countries needed the sustained cooperation and assistance of the industrialized countries if they were to succeed in cooperating among themselves. The industrialized countries should adopt a deliberate policy of encouraging their technology development sectors, particularly the private sector, to cooperate closely with the private and public sectors of developing countries.

91. His delegation had noted with satisfaction the expansion of the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean. He stressed the need for the different priorities of the various developing countries to be kept in view, and drew attention to the fact that the least developed countries required a different set of priorities. In planning the Special Programme for Asia and the Pacific, his delegation would like UNIDO to consider employment-generating projects.

92. The need for developing human resources could hardly be overemphasized, for without skills the productivity that enhanced development efforts could not be increased. He therefore appealed to UNIDO to bear in mind the population of a country when formulating programmes of skill development. Bangladesh had a population of 110 million, and its development efforts must be made compatible with the size of the population.

93. The institutions established by the international community were of great assistance to the developing countries in the transfer of technology. Bangladesh hoped to benefit from the international centre for science and high technology. He had noted with concern the reservations expressed about the latter centre and appealed to delegations to give due consideration to establishing an institution that would help meet the aspirations of the developing countries.

94. On the subject of the energy programme, no development was neutral and all development must interact with the environment. The development of energy resources was no exception. In Bangladesh, 90 per cent of tree-felling was to meet requirements in fuel. Only by laying gas pipelines in rural areas could tree-felling be stopped. More resources were needed for countries that lacked fuel resources, and environmentally-friendly sources of energy such as wind, solar and tidal energy should be developed.

95. The new Government of Bangladesh was making every effort to help the population affected by the recent cyclone and storm in Bangladesh, and he expressed deep appreciation for the response of the international community. UNIDO would have a part to play in the recovery and rehabilitation programme.

96. Mr. SIAZON (Director-General), replying to the questions raised in the debate on items 4 and 5 of the agenda, expressed his appreciation for the many comments and suggestions made by members and observers.

97. He apologized to the members of the Board for the very late submission of documents, and said that the Translation Service, which was a joint service working for UNIDO and the United Nations in Vienna, was trying very hard to cope with increasing translation requirements. The seventh session of the Programme and Budget Committee had been held from 22-26 April 1991 and the resumed session on 27 June 1991. The revised programme and budget for 1992-1993 containing some 300 pages had therefore had to be processed quickly in six languages and given top priority, with a consequent negative impact on the documentation for the eighth session of the Industrial Development Board.

98. For the sixth session of the Programme and Budget Committee in 1990 there had been 421 pages of documentation requiring translation; for the seventh session and the resumed session in 1991

there had been 1,222 pages - about three times as much. For the seventh session of the Board in 1990 there had been 323 pages of documentation whereas the figure for the eighth session in 1991 was 700 pages. Twenty-eight documents had been submitted to the seventh session of the Board as against 50 to the eighth session. It was clear that there was a problem of capacity. Member States should perhaps decide on a priority for items and on the sessions at which they wished to have them considered.

99. With respect to the decline in the level of project approvals in 1990 compared with 1989 (IDB.8/10, chap. II, para. 16), he said that in 1989 one member country had paid about $40 million to IDF as a one-off payment while in 1990 the same member country's contribution had gone down to $19 million. That already explained the decline in the level of project approvals. However, 1991 had seen a faster rate of implementation compared with the rate of project approval, something which might lead to difficulties. 1991 was a special year since it was the last year of the UNDP cycle and most of the reserves would already have been programmed. Moreover, 1991 was the first year in which UNDP resident representatives had been instructed to adopt a programme approach. As a result, there had been undue delays in the approval of individual projects.

100. Regarding the rate of delivery under the IDDA technical assistance component, he said that the $1,970,000 delivered was about half of the $3,850,000 authorized for disbursement under IDDA; that was quite a good implementation rate for the first year. However, to avoid any problems of implementation, the Secretariat had taken special precautions and had overprogrammed to some degree to ensure that the amount authorized under the budget was fully utilized by the end of the biennium. Furthermore, the IDDA technical cooperation activities had been exempted by the Director-General from the freeze on programme implementation resulting from the adverse financial situation.

101. One representative had referred to the fact that although the technical assistance component for Africa had increased in absolute terms, its share within the total technical assistance programme had dropped. That was explained mainly by the substantial increase in interregional and global projects, which had gone up from 14.3 per cent of the total technical assistance programme in 1989 to 19.6 per cent in 1990. As a result, the share of Africa had decreased in percentage terms although in dollar terms it had increased. The reason for the increase in the regional and interregional portion of UNIDO's technical assistance programme in 1990 was the one-time approval of funds for the International Centre for Genetic Engineering and Biotechnology. If the Board approved the establishment of an international centre for science and high technology, and if the Government of Italy passed a law establishing contributions to the centre on an annual basis, the regional and interregional part of the technical assistance programme would again go up and the other parts go down in percentage terms.

102. The Secretariat agreed with Member States about the importance of economic cooperation among developing countries (ECDC) and wished to encourage more developing countries to follow the approach adopted by countries like India, Brazil and China, which had established part of their indicative planning figure for ECDC activities or made voluntary contributions to them. While he appreciated the confidence of Member States in the ability of the Secretariat to influence events in the international community, the developing countries were the main actors in the programme and UNIDO's role was merely supportive. Twenty-eight agreements had been signed for enterprise-to-enterprise cooperation, and the Secretariat hoped that the developing countries would extend that particular programme.

103. Many representatives had mentioned the share of experts in technical assistance to developing countries. He did not believe that there was any golden rule governing the percentage of experts. UNIDO was a demand-oriented organization and did not provide technical assistance unless it received an official request from a Government and unless a project document stipulating the type, modality and duration of the assistance required was prepared. Developing countries that considered the expert component to be too high should so indicate in their project requests. Moreover, the composition of technical assistance varied from region to region and from year to year, depending on the actual needs of the developing countries concerned.

104. As far as the IDF portion was concerned, some major donor countries did not finance the equipment component even when it came from the country in question. As a result one could expect ab initio a larger share for the expert component in technical assistance projects of UNIDO. The Secretariat would welcome any suggestions to help find a golden rule that would win acceptance among Member States.

105. The Secretariat had taken note of the comments of the Netherlands representative concerning the evaluation of UNIDO activities related to the development of human resources. The Secretariat would be happy to receive additional contributions for the implementation of that activity.

106. The Netherlands representative had also spoken of the small number of women in training programmes. The reason was that few women candidates were put forward by Member States, and he appealed to them to increase the number.

107. Regarding the training share in technical assistance projects, he said that the percentage varied from one region and one country to another, and he again stressed that the share depended largely on the requesting Member State.

108. Regarding the training of trainers, he said that, of 36 training programmes backstopped by the Human Resources Development Branch, 12 had covered the training of trainers, ensuring a multiplier effect.

109. The various statements made on the environment would be taken into account by the Secretariat in implementing the relevant programme.

110. The Secretariat had perhaps not provided enough information about its cooperation in the sector of energy. A group of four agencies were cooperating on that matter in Vienna, namely OPEC, IAEA, UNIDO and the International Institute for

Applied Systems Analysis. Those bodies had been working for almost a year on the preparation of joint programmes and expected to submit joint papers to the 1992 World Energy Conference. The oil sector had been taken into account by OPEC, and programmes had been prepared to avoid any duplication.

111. As to the industrial action plan for the least developed countries, he said that work was progressing very well and that a workshop attended by representatives of the least developed countries and international agencies was to be held from 19 to 23 August 1991, the results would be submitted to the General Conference.

112. As far as the Liaison Offices in New York and Geneva were concerned, he drew attention to the information on their work in chapter VI, paragraphs 29-41, of the annual report (IDB.8/10). UNIDO was one of ten specialized agencies with liaison offices in New York. The Liaison Office was needed because of the constant consultations required with UNDP, UNIDO's largest source of funding for technical assistance projects. Moreover, members of the New York Office attended some 150 meetings in New York every year. The Office was used to deal with several institutions in Washington, D.C., and for work in Latin America, in particular with the Inter-American Development Bank. It was also used for outreach programmes in the private sector in the United States of America, and it had established an office in Atlanta, Georgia, to promote investment programmes between United States and African entrepreneurs. The office also dealt with government agencies and the private sector in Canada and the United States. The investment promotion office in Washington, D.C. dealt with investment activities only.

113. As far as the Geneva Liaison Office was concerned, he pointed out that the source of information for some 23 permanent missions in Geneva accredited to UNIDO was that Office. Moreover, many other United Nations agencies with which UNIDO worked closely had liaison offices in Geneva. So many meetings were held there that it was cheaper to have them covered by the Liaison Office than to send staff members from Vienna.

114. References had been made to the need for the operational budget to finance technical assistance, and some explanations were needed in that regard. The expression "operational budget" was defined in Article 13.2 (b) of the Constitution as "Expenditures to be met from voluntary contributions to the Organization, and such other income as may be provided for in the financial regulations (referred to as the 'operational budget')". Article 13.4 read: "The operational budget shall provide for expenditures for technical assistance and other related activities".

115. Rule 101.2 of the financial rules provided that: "'Operational budget' shall mean the budget financed from voluntary contributions to the Organization, and from such other income as is provided for in the Financial Regulations, including the reimbursement of the support costs of technical assistance activities, which shall provide for expenditures for technical assistance and other related activities."

116. Clearly, then, the operational budget included not only the funds held in the support cost account but all the voluntary contributions received as well as income not forming part of the regular budget. Clearly, too, expenses charged to the operational budget consisted mainly of technical assistance cooperation and related expenditure. In the 1992-1993 budget, the estimated figure of $426 million for technical cooperation was part of the operational budget as defined in the Constitution. Traditionally, however, in the UNIDO budget, the term "operational budget" was a working title used to mean the support cost programme.

117. He assured the representative of Egypt that the regional Consultation on the petrochemical industry in the Arab countries would be convened without waiting for a new allocation of resources in the 1992-1993 budget. The budgetary allocation for 1990-1991 would be used to cover the cost of the preparatory activities required for the Consultation, which was scheduled to take place in the first quarter of 1992 in Cairo, in cooperation with the Egyptian Petroleum Institute. The Secretariat would appreciate official confirmation from the Government of Egypt. The preparatory activities for the Consultation would culminate in the global preparatory meeting expected to take place in the last quarter of 1991. The delay had been due to the situation in the Gulf and not to UNIDO's financial problems.

118. Replying to questions on the international centre for science and high technology, he drew attention to the fact that the terms of reference for the centre were set out in paragraphs 11 and 12 of document IDB.8/46. The centre would comprise three institutes: an institute for pure and applied chemistry, an institute for earth, environmental and marine sciences and technologies and an institute for high technology and new materials. The objectives of the centre were to stimulate and promote high-level research and development activities in-house as well as in laboratories in developing countries through training and the participation in the centre's research activities of scientists from those countries. It would provide an institution to which scientists from developing countries could come to conduct long-term research at an advanced level, and it was expected to develop into a focal point which would provide for the needs of scientists from developing countries in literature, modern instrumentation and facilities for the training of scientists and technicians. The activities of the centre were primarily in-house research, conferences, workshops and training courses, with emphasis on cooperation with industry and developing-country institutions.

119. Regarding suggestions for an independent coordinating advisory board, he pointed out that the structure proposed in document IDB.8/46 had been arrived at after detailed consultation. The centre was not expected to become an independent intergovernmental body. As a centre of

excellence, it should have the benefit of independent and professional advice from scientists as distinct from donors. The needs of the developing countries would be taken into account through interaction with the Third World Academy of Science, through the inclusion of scientists and technologists from the developing countries in the expert committees and in the "International Scientific Committee"; in the conduct of the training programmes, arrangements would be made to get feedback from the beneficiaries in order to evaluate the programmes.

120. Modalities could thus be established for the regular flow of information and views to the centre on the needs and priorities of the beneficiary institutions in the developing countries with a view to strengthening national efforts in developing countries and their application to industry. The process would have to be a continuous one, and it should be allowed to evolve.

121. The Secretariat had attempted to establish the centre after having determined that there was a strong demand from developing countries for access to technology in the centre's areas of competence. The centre would be financed purely from voluntary contributions and UNIDO would accept no financial liability for its operation. The Secretariat felt that the opportunity offered by a member country prepared to finance the centre should be seized for the benefit of the developing countries.

122. With regard to the International Centre for Genetic Engineering and Biotechnology, half of which was in India, successful seminars and programmes had been held in which many scientists from the developing countries had taken part.

123. He assured the representatives of the Ukrainian SSR and the USSR that UNIDO would participate fully in the United Nations programme for Chernobyl. A comprehensive programme would be ready in the near future.

124. Mr. GUTIERREZ LEYTON (Chile) thanked the Director-General for his remarks. However, he wished to reiterate that there had been shortcomings in the implementation of General Conference resolution GC.3/Res.9. The progress report on economic and technical cooperation among developing countries (IDB.8/29) contained no explicit mention of the private sector, or of the role that it might play in ECDC/TCDC. Insufficient consideration had been given to the possibility of effective South-South cooperation, on a direct basis between enterprises.

The meeting rose at 1.30 p.m.

Annex

SUMMARY OF A WRITTEN STATEMENT NOT READ AT THE MEETING

A statement not read at the meeting was submitted in writing to the Secretariat, and it was agreed that it should be reflected in the summary record. This statement is summarized below.

The delegation of SAUDI ARABIA said in its written statement on item 5 that UNIDO had been established with the objective of assisting in the establishment of a just and equitable economic order based on the elimination of economic inequalities and the establishment of rational and equitable international economic relations. The developing countries looked to UNIDO to help them in accelerating economic and industrial development in order to improve the quality of life of their peoples.

His delegation attached particular importance to item 5 (b), concerning economic and technical cooperation among developing countries. Funds allocated for that purpose should be increased. Use should be made of consultants and experts from developing countries, and possibilities should be explored for using equipment from developing countries, thus achieving savings in the cost of purchasing such equipment as well as promoting the economies of the supplying countries.

With regard to sub-item (d), concerning the Special Programme for the Industrial Development of Asia and the Pacific, his delegation appreciated UNIDO's efforts to assist the industrialization programmes of the least developed countries of the region, taking into account local conditions. The Organization's efforts to develop additional projects within priority areas were to be praised.

On sub-item (f), he said that his delegation regarded the development and transfer of technology as a vital issue for developing countries. UNIDO had a key responsibility in that regard, and he commended its role in efforts to establish an international centre for science and high technology.

Regarding sub-item (e), the development of human resources was a precondition for industrial development. His delegation supported the efforts of UNIDO in that field and urged that further projects should be developed in order to help develop specialized capabilities in developing countries, with special emphasis on regional training programmes and the strengthening of training institutions.

With regard to sub-item (g), energy was of great significance for economic growth. UNIDO should make every effort to provide developing countries with appropriate technologies for the production of energy and assist them in the development of optimum uses of energy for industrial purposes.

The role of UNIDO in seeking appropriate ways of avoiding environmentally negative effects of industrialization was very important.

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United Nations Industrial Development Organization

# Industrial Development Board

Eighth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 2 July 1991, at 3 p.m.

President: Mr. TOFIGH (Islamic Republic of Iran)
later: Mrs. TALLAWY (Egypt)

CONTENTS

Agenda item — Paragraphs

17 Organizational and staff structure — 1 - 99

The meeting was called to order at 3.05 p.m.

ORGANIZATIONAL AND STAFF STRUCTURE (PBC.7/12 and Corr.1; IDB.8/45)

1. Mr. WOTAVA (Austria) said that, if the Board did not decide at its current session on a better organizational structure for UNIDO, a significant reform would probably not be possible for at least another four years and, in an increasingly competitive environment, such a delay might deal the Organization a fatal blow. Member States had the duty to help the Director-General to lay the foundation for a new organizational set-up so that, in two-and-a-half years' time, he would be in a position to hand over to his successor an organization capable of meeting the many new and difficult challenges that would arise in the remaining years of the century.

2. If the new United Nations pension scheme came into force in March 1992, it was highly probable that some 50 of UNIDO's senior officials would take the opportunity to retire, and the appointment of new staff to fill so many vacancies would be virtually impossible if a new organizational and staff structure were not in place by then.

3. Having examined the structures of other organizations of a similar size, his delegation was convinced that the best senior management structure for UNIDO would consist of the Director-General and a single Deputy Director-General with full authority to deputize for the former. The existing system of rotation among five deputy directors-general had long outlived its political usefulness and had, in all probability, also contributed to UNIDO's electronic data-processing débâcle.

4. His delegation did not, however, share the Director-General's view that the task of coordinating some 20 heads of division could be performed by a loose mechanism of occasional, or even periodic, interdivisional coordination. It was too much to expect of even an ideal Director-General and an equally outstanding Deputy Director-General. A better solution would be to group the various divisions into four units, namely, the Office of the Director-General, the Department of Administration, the Department of Industrial Policies and Programmes, and the Department of Industrial Operations, headed by an intermediate layer of senior officials, possibly with the rank of assistant directors-general.

5. Their mandates would need to be clearly defined but their main task would be to

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relieve the Director-General and his Deputy from being overloaded with the work of supervising or arbitrating a host of less important matters that, for one reason or another, could not be solved between the divisions, and to take responsibility for and monitor implementation of the tasks assigned to the respective heads of division by the Director-General or his Deputy.

6. His delegation was in favour of the next Director-General being a national of a developing country and, in that case, of the new single Deputy Director-General being a national of an industrialized country. The three heads of department could be chosen on the basis of equitable geographical distribution. In all five cases, however, the highest professional and personal qualifications were needed. To ensure that the Organization was led by the very best people available, Member States should display the utmost responsibility when submitting candidates.

7. Mrs. Tallawy (Egypt) took the Chair.

8. Mr. KOSTENKO (Ukrainian Soviet Socialist Republic) said that the need for a structural and personnel reorganization, designed to increase the effectiveness of UNIDO's work, was clear to all Member States and the organization chart reproduced in annex I of document IDB.8/45 seemed fully to meet the demands of avoiding duplication and achieving better internal coordination, a more precise definition of the responsibilities and functions of departments, and a strengthening of the basic departments of the Organization. His delegation was also in full agreement with the views expressed by Member States in the Open-ended Working Group (PBC.7/12 and Corr.1).

9. The important principle of recruiting staff on a broad, equitable geographical basis - to which the representative of Austria had drawn attention in connection with the senior posts - was one of the essential guarantees of the Organization's effectiveness and no structural reorganization could be allowed which would result in countries that were already overrepresented in the Secretariat increasing the number of their staff members, while the positions of countries that were underrepresented declined.

10. At its fourth session, the Board had noted with concern that a number of countries were represented in the Organization at levels below their unofficial quotas. It had therefore instructed the Director-General to intensify his efforts to secure an appropriate increase in the number of staff members from the countries in question. The matter had been raised at subsequent sessions of the Board and it had to be said that the work of the Organization's personnel services in that regard had been extremely unsatisfactory.

11. Between 1986 and 1989, the Ukrainian Soviet Socialist Republic, with a quota of between three and five staff members, had been represented in the Secretariat by only two Professional staff members, despite the fact that his Government had sent the UNIDO personnel services the names of many highly qualified specialists for consideration when vacant posts were to be filled. His delegation had, on a number of occasions, made representations to the Director-General, the Deputy Director-General for Administration, and the Personnel Services Division itself, but to no avail.

12. Many countries were still over-represented. His own country, which occupied twelfth position in terms of the level of its annual contribution to the UNIDO budget, had between one third and one quarter of the Secretariat representation of the countries occupying positions 13 and 14. It was essential that the principle of staff recruitment on a broad and geographically equitable basis, as reflected in the relevant section of document IDB.8/45, be strictly applied.

13. A definitive decision on the question of restructuring UNIDO should be taken as soon as possible, for any further delay would have a negative impact on the effectiveness of the Organization's work as a whole and on the implementation of individual programmes and projects.

14. Mr. GAILI (Sudan) said that, while his delegation welcomed the proposals set out in document IDB.8/45, a number of the Director-General's suggestions required further improvement. There should be a single Deputy Director-General, as stipulated in the Organization's Constitution. It was not clear how much the restructuring exercise would cost, and it was essential to ensure that it resulted in increased technical support for the developing countries and affected all of the Organization's activities. Moreover, there had to be an improvement in the organizational structure with regard to decision-taking procedures, and the Director-General's proposals did not cover those.

15. All duplication of effort should be eliminated, and there should be better coordination between the divisions; it was hard to see how there could be proper coordination among 18 high-ranking officials. The question of improving the management of human resources was not clearly addressed in the restructuring proposals and, in general, there should be a better division of labour in order to guarantee that the work of the Organization was more effective and better monitored.

16. Mr. LAVIÑA (Philippines) said that, while there was no doubt that something was intrinsically wrong with UNIDO, he was not convinced that it was merely a matter of its structure. It might have been a mistake, in fact, to divorce the Organization from the main United Nations structure.

16. What was needed was a review of UNIDO as an organization, and nothing was to be gained by further postponing a decision. However, at the structural level, he agreed with the Austrian proposal that UNIDO should be headed by a Director-General and a single Deputy Director-General.

17. Mr. MOHAMMED (Nigeria) said that the proposals contained in document IDB.7/33 appeared to him to have addressed the major issues involved in the reorganization of UNIDO, namely, that three clusters of organizational units - policy, administration and operations - were needed to reflect the shift in the Organization's sectoral analysis, policy advice and other programme-level

work to developing countries. Technical cooperation activities should continue to be the focus of the Organization's structure, all other activities being geared to supporting them.

18. Given the paramount importance of the country focus, all technical cooperation activities should be managed by the Area Programmes Division, thereby ensuring continuity and accountability across countries, subregions and regions. In that connection, he welcomed the integration of field representation and cooperation into the Area Programmes Division, noting that it might also be useful to place all the regional and interregional advisers within the same framework of field representation and coordination.

19. Programme development and management, industrial resource mobilization and industrial support operations should be placed under a single umbrella department, because they were closely linked.

20. On the assumption that the three organizational clusters should form the basis of the proposed restructuring exercise, he did not think that a single Deputy Director-General, with as many as 18 directors of departments, would make for a streamlined, efficient and technically oriented organization. There should thus be three deputy directors-general to head the three main organizational units.

21. The Director-General had recently indicated that the restructuring of UNIDO should result in a reduction in its budget of about $1 million per biennium, so the need for an early decision to be taken could not be overemphasized. Whatever proposals were finally adopted by the Board, the principle of equitable geographical representation should, as far as possible, be applied at all levels of the Organization, but particularly in respect of the most senior positions.

22. Mr. RIHA (Observer for the Czech and Slovak Federal Republic) said that the proposals contained in document IDB.8/45 were, in principle, acceptable. An organizational structure based on one Deputy Director-General would enable UNIDO to be more flexible in meeting changing needs. The terms of reference for divisions, provided in annex II of the document, would make for an improvement in in-house coordination, but the avoidance of duplication of functions at divisional level required further examination and clarification in detail.

23. However, the revised organization chart still did not offer a guarantee of sufficient and effective coordination of UNIDO's activities. Consideration should be given to the establishment of a regular coordination mechanism at the horizontal level. Further explanation and discussion of the ways in which the Director-General intended to coordinate activities at the divisional level would be welcome.

24. His Government was in favour of reaching an early decision on the organizational and staff structure so as to provide the Secretariat with a clear picture of the financial implications and sufficient time for the new structure to become operational by the beginning of the 1992-1993 biennium.

25. Mr. AALTO (Finland), speaking on behalf of the Nordic group of countries, said that the number of deputy directors-general established by the Fleischhauer agreement and the Roethlisberger decision was no longer appropriate. An organization with one Deputy Director-General, structured along the lines proposed by the Director-General in document IDB.7/33, would be lean and flexible and thus better able to fulfil its mandate in a changing world. It was for the Board to take the necessary political decision without delay.

26. Mr. ENDO (Japan) said that his delegation supported the Director-General's original restructuring plan (IDB.7/33) because of its structural simplicity and its emphasis on a stronger technical and regional focus. In comparison, the current formulation (IDB.8/45) appeared somewhat weaker. The new organizational structure should strengthen the Organization's programming, implementation and management capability and enhance its ability to make rapid, correct and coordinated responses to requests from developing countries. Moreover, the reorganization exercise should not involve any additional costs.

27. The new structure should reflect the rationalization of the United Nations system as a whole. It should also be generally supported by the staff, the members of which should be assured of a clear delineation of responsibility and incentives. A review of the functional systems of the Secretariat would include the appointments and promotion system and the quantity-driven character of many divisions of UNIDO.

28. Staff members should coordinate willingly, not viewing each other as rivals, but sharing information and helping their colleagues to understand the work they were doing in order to promote concerted action in the Organization.

29. Mr. TIMERBAEV (Union of Soviet Socialist Republics) said that UNIDO needed to be able to respond adequately to a continually changing world. The Organization needed a new structure which emphasized the links between the departments concerned with the analysis of industrial development trends, modelling the future of such trends, responding to world economic change and developing policies and strategies for industrial development on a global, regional, country and local level.

30. Although many Member States were still not ready to take a decision on the Fleischhauer formula, the matter was an urgent one. Protracted discussion might result in a new structure when it was already too late to respond to the new processes occurring in the world.

31. Mr. CHEN Shiqiu (China) said that the decision on the structure of UNIDO should be taken as soon as possible, as any delay would affect the Organization's ability to respond to a changing world and could damage staff morale. Restructuring should be at the division level and below, in order to eliminate duplication and improve internal co-ordination, with a clear delineation of departmental responsibilities and a strengthening of substantive units. That process might facilitate the decision on the number of deputy directors-general. The Director-General's

revised proposals (IDB.8/45) provided a good basis for discussion.

32. Mr. PAREDES PORTELLA (Peru) said that the structure of UNIDO was crucial to its ability to respond to the changing world. The real issue was not the number of deputy directors-general, but the long-term need for the Organization to be competitive in technical co-operation and the mobilization of resources. A wide range of sources of finance would have to be identified in order to reduce dependence on UNDP. However, the Organization should be restructured to make it more competitive, not merely as a response to the new arrangements with UNDP.

33. UNIDO should also avoid excessive diversification in its programmes, concentrating on core elements of its mandate in which it had special expertise. It should maximize its competitiveness in technical cooperation, investment promotion and trust fund activities. There should be an emphasis on the country focus, without forgetting the need for the equitable geographical distribution of technical cooperation activities.

34. Once the priorities had been settled, the necessary structure would become apparent. However, document IDB.8/45, which reflected the views and comments of Member States on the organizational structure, was a good basis for discussion.

35. Mr. SAVIC (Yugoslavia) said that UNIDO required restructuring so that it could ensure a high quality of services against a background of world change. The new staff structure should be rational and efficient; that was far more important than any political considerations. In the view of his delegation, document IDB.8/45 provided a good basis for meeting those requirements. The question of restructuring should be decided at the forthcoming General Conference, so that UNIDO could concentrate on carrying out its mandate.

36. Mr. Tofigh (Islamic Republic of Iran) resumed the Chair.

37. Mr. VETTOVAGLIA (Switzerland) said that a decision on the structure of UNIDO should be taken at the current session of the Board. Such a decision, which should allow the Director-General a margin of flexibility, should ensure that, in the long term, UNIDO was able to adapt to the changing macroeconomic and social environment at all levels. The new structure should be based on the principles contained in document PBC.7/12, with emphasis on transparency, simplicity, clear responsibilities and work flow.

38. In view of the fact that some Member States were unwilling to amend the Fleischhauer agreement, he proposed a compromise whereby there would be one Deputy Director-General, with three assistant directors-general heading the three departments (administration, industrial policies, and operations) recommended by the Director-General.

39. Mr. KHERBI (Algeria) said that his delegation had submitted one of the first papers on the question under consideration but little had been done concerning the matter. The decision whether to have one or several deputy directors-general was of secondary importance. Much more important was what persons should be chosen and what their professional backgrounds should be.

40. The Board must be free to decide the appointment of such senior officials on its own. All the top positions must be negotiated in advance on the basis of equitable geographical distribution. That was not the Director-General's prerogative. It was up to the Industrial Development Board to reach an agreement on the most appropriate political formula.

41. Concerning terms of reference, he wished to refer the Board to document IDB.8/45, paragraph 11 and to the footnote at the bottom of the first page of annex II of the same document. In the opinion of his delegation, that footnote should be deleted.

42. His delegation was open to any proposal that would help forge an efficient instrument in the service of the industrialization of the developing countries, as long as the issue was discussed in a clear, serious, careful and rational manner.

43. Mr. MANSINGH (India) said that his delegation's consistent stand on the issue of restructuring had been that the existing structure of UNIDO was based on a political consensus; consequently, any restructuring must also be based on the same principle.

44. The proposal contained in the Director-General's note (IDB.8/45) should be divided into one part which was within the purview of the Director-General and another part consisting of matters that should be decided by the Member States. His delegation agreed with the position adopted in the Director-General's note to the effect that restructuring and reorganization at the departmental level was the prerogative of the Director-General, as the chief administrative officer of the Organization.

45. With regard to the number of deputy directors-general, the Director-General had taken the unambiguous stand that one would suffice, given UNIDO's size and functions but, as he himself recognized in his note, that was basically a political issue. A sacrifice of equitable geographical distribution solely on the grounds of need and efficiency was not likely to serve the long-term interests of the Organization. A balance must be struck between efficiency and equitable geographical distribution in order to maintain the general acceptability and credibility of the Organization. That did not mean, of course, any dilution of the basic requirement that the deputy directors-general, whatever their number, must measure up to the highest standards of qualifications and experience, so that they could provide the necessary leadership.

46. All the pros and cons had to be carefully weighed before any decision was taken on the issue. The existing structure should not be tampered with unless and until it was established beyond reasonable doubt that the new structure would substantially improve the Organization's capacity to carry out its basic mandate, that of accelerating the industrial development of the developing countries in the most cost-effective manner.

47. Mr. PLUG (Netherlands), speaking on behalf of the States members of the European Community, said that document IDB.8/45 was unfortunately one of the many that his delegation had received late, i.e. less than six weeks before the opening of the eighth session of the Board.

48. The delegations he was representing had taken an active part in the three meetings of the Open-ended Working Group on the proposed restructuring of the organizational and staff structure and they supported the Working Group's report (PBC.7/12 and Corr.1) as a basis for further consideration. To enable the Secretariat to work out the budgetary implications in time for the General Conference, it was necessary for the Board to come to conclusions on the future organizational and staff structure at its current session.

49. The Community shared the conviction of all Member States that UNIDO needed to be restructured if it was to comply with its mandate effectively in a fast-changing environment. To avoid further uncertainty for staff members, the planned restructuring should come into operation at the beginning of the 1992-1993 biennium. The delegations he was representing recognized that, in view of UNIDO's relatively small size compared with other United Nations agencies, the Organization needed to be streamlined and they therefore approved, as a basis for discussion, the decentralization and the objectives and criteria proposed by the Director-General in documents IDB.7/33 and IDB.7/CRP.5 and the proposals in the report of the Open-ended Working Group.

50. The revised proposal by the Director-General in document IDB.8/45 did not, however, reflect the comments made by Member States at the seventh session of the Board and in the Open-ended Working Group. As the chief administrative officer, the Director-General had the overall responsibility and authority to direct the work of the Organization and, under the authority of the Industrial Development Board and subject to the control of the competent organs, was responsible for the appointment, organization and functioning of the staff. His latest proposal returned to the current functional structure and did not pay due attention to the need for proper regional and country focus, which had been central to his earlier ideas. It was doubtful, therefore, whether the proposal would improve the functioning of the Organization.

51. The Community was still convinced that, against the background of emerging challenges and in view of the changing circumstances, continued observance of the Fleischhauer agreement and Roethlisberger decision was an obstacle to enhancing the efficiency of the Organization, and it therefore supported the idea of having only one Deputy Director-General.

52. The Community supported the idea of responsibility and accountability at lower organizational levels. Full attention should be given to adequate management and coordination, but coordination was a functional role of management and not an end in itself. There should thus be a reasonable span of managerial coverage between the Director-General and the component units of the Organization.

53. The delegations he was representing adhered to the principle that restructuring should be carried out within existing resources. They considered it important that, at its current session, the Board should make clear recommendations on the future organizational and staff structure of UNIDO.

54. Mr. HOSSEIN ZADEH (Islamic Republic of Iran) said that any new structure should ensure that all UNIDO activities were geared to fulfilling the Organization's objectives; it must also encourage the maximum participation of all States in the Organization's work and maximize staff involvement.

55. Any delay in restructuring UNIDO would cause the Organization to lose money and result in a decline in staff motivation. A decision had thus to be taken as soon as possible, and the new UNIDO structure should be implemented from the beginning of 1992. The restructuring must minimize duplication and bureaucracy, enhance efficiency and help meet the industrialization requirements of the third world countries.

56. As the chief administrator, the Director-General had the responsibility and authority to direct the Organization's work, and under the authority of and subject to the control of the Board, he was responsible for the appointment, organization and functioning of the staff.

57. Generally speaking, his delegation was in agreement with the bottom level of the organization chart proposed by the Director-General (IDB.8/45, annex I), but it would seem that the energy and environment unit should be placed under the direct supervision of the Director-General or else under that of the Industrial Operations Division.

58. His delegation proposed, as a compromise, that there should be two deputy directors-general, one responsible for administration and one for the three units of Industrial Policies and Programmes, Industrial Cooperation and Resource Mobilization, and Industrial Operations, together with three vice deputy directors-general, who would be in charge of the above-mentioned units.

59. Those five important positions should be filled on the basis of equitable geographical distribution. One of the deputy directors-general would be from a developing country and the other from a developed country, the three vice deputy directors-general being selected on the basis of equitable geographical distribution.

60. Ms. ZOLDAG (Hungary) said that a decision had to be taken on UNIDO's structure, which must reflect the changing conditions under which the Organization was working. There were two issues involved. The first, which was related to high-level management, required the agreement of the Board and, to some extent, of the General Conference. Her delegation was inclined to accept the Director-General's proposal that there should be one Deputy Director-General only.

61. The second issue was of a more technical nature and would also have an important impact on future UNIDO operations. The division of operations into three clusters was reasonable, but a practical solution must be found for

coordinating the activities within each of the clusters. The allocation of the various activities was on the whole acceptable. Her delegation could not see, however, why regional and country studies had been allocated to Programme Development and Management rather than Industrial Policies and Perspectives. It also felt that industrial development finance institutions would be more appropriately included under Industrial Investment rather than Industrial Institutions and Services.

62. Mr. D. POPOV (Bulgaria) said that, having listened to so many conflicting views, he had nothing new to add on the subject. He hoped, however, that the members of the Board would be able to agree on a compromise.

63. Mr. ALIAGA MACHICAO (Observer for Bolivia) said that his delegation agreed on the need to restructure UNIDO to meet new needs and supported the proposal made in that regard by the Director-General in document IDB.7/33. The Organization must be rationalized, both at the top and at lower levels. To that end, modern information technology must be drawn upon to increase efficiency.

64. The effort to resolve a political and administrative problem, i.e. the existence of earlier regional agreements on deputy directors-general, might result in a bureaucratic and inefficient structure, with inadequate attention being paid to the most important aspect of all: the achievement of a professional service capable of responding to the challenges of the day.

65. According to IDB.8/45, a coordinator was to be appointed from among the directors of the operational divisions. That did not seem to be a very good idea. No director would have sufficient time to manage his own department and also look into what was taking place in others. It simply would not work unless the director in question was responsible solely for coordination, in which case he would have to have a separate slot and a higher rank.

66. The coordination of field directors was clearly an operational activity. It involved keeping track of the day-to-day operations in the various UNIDO offices. It would seem, therefore, that it should be placed under the Director-General, because the local directors were his representatives.

67. Languages and documentation should come under External Relations, because of the nature of those activities. The data-processing department, whatever its size, should come under the Director-General and have its own separate box, because it provided services to both the administration and the operational departments.

68. It should not be forgotten that, however powerful it might be, Administration was merely a support for the operational activities.

69. Document IDB.8/41 suggested that, in the immediate future, UNIDO would require 5,000 square metres of office space and 15,000 square metres for common services. His delegation could not but wonder how that tied in with the plans for the administrative rationalization and restructuring of UNIDO. What was needed was more support for investment and less for bureaucracy.

70. Ms. BYAMUNGA (Uganda) said that a decision had to be taken with regard to restructuring at the eighth session of the Board. Further delay would only prolong staff uncertainty and reduce efficiency. The organization chart contained in annex I of IDB.8/45 was acceptable. The three clusters, i.e. Industrial Policies and Programmes, Industrial Cooperation and Resource Mobilization, and Industrial Operations, had been grouped in a thematic manner that would enhance the Organization's effectiveness.

71. Her delegation was not sure, however, that the various units would be well coordinated. The vertical links with the proposed single Deputy Director-General were clear, but the horizontal ones were not. There did seem to be a need for a coordination mechanism, somewhere between the Deputy Director-General and the three clusters.

72. The Austrian proposal that there should be three assistant directors-general was an interesting one, as it could provide the necessary coordination and also resolve the question of equitable geographical distribution at the top. Otherwise, there was a danger that the new structure might worsen the geographical imbalance which already existed. Similarly, the reorganization could adversely affect the position of women in the Secretariat. All in all, the new structures must be such as to provide incentives for improved staff performance.

73. In conclusion, her delegation supported the Director-General's proposal that there should be a single Deputy Director-General, but with the proviso that it would also like to see the creation of three assistant director-general posts. The savings realized from the restructuring process should go towards technical cooperation activities in the developing countries.

74. Mr. TALUKDAR (Observer for Bangladesh) said that the existing structure of UNIDO was the result of an evolutionary process designed to fulfil UNIDO's prime function of the industrialization of the developing countries, which should remain the major promise in any restructuring. He thus cautioned the members of the Board against over-precipitation in restructuring UNIDO.

75. The Director-General's report confirmed that UNIDO's achievements had fallen short of the Lima Declaration target, and he wondered how many developing countries had advanced to a level at which they no longer required the assistance of UNIDO, or indeed of other United Nations agencies, for their development.

76. The role of industry in the development of the developing countries might well have altered in view of the changes taking place around the world. The reshaping of international relations would undoubtedly have an impact on the economic order, but that impact would probably be felt only gradually.

77. Mr. ANGUIANO ROCH (Mexico) said that document IDB.8/45 presented a new view of UNIDO's organizational structure and was the fourth, but clearly not the last, reworking of document IDB.7/33.

78. The most striking aspect of that document was the manner in which the Director-General had

interpreted the consultations on the restructuring of UNIDO. Paragraph 2 offered a summary of the proceedings of the Board and of the Open-ended Working Group which was rather less than complete. The statement that "the issues of restructuring and reorganization are within the authority of the Director-General" was incorrect, although article 11 of the Constitution clearly indicated that the Director-General had the overall responsibility and authority to direct the work of the Organization.

79. His delegation was not convinced that the administrative difficulties would be resolved if there were only a single Deputy Director-General. The lack of control and coordination did not lie in the number of deputy directors-general but in the labyrinthine structure of the Organization as a whole, with its many intermediate levels.

80. It was the task of the decision-making organs to take delicate political decisions regarding the deputy directors-general and other matters having repercussions on the administrative capability of the Organization. Consultations had been hindered by incomplete responses and late documentation, which made it hard to envisage any outcome by November 1991. The situation was aggravated by the need for Member States to pay close attantion to other administrative issues not connected with restructuring, such as the electronic data-processing system.

81. His delegation could see no rational or logical basis for committing itself to a reform of the administrative structure of UNIDO, at a time when it had not even proved possible to recommend a budget for the next biennium. It was by no means convinced of the urgent need for an administrative reorganization. There had been no thorough debate on the relevant criteria and no detailed analysis of the proposals to amend the organization chart. Before engaging in any such exercise, the Board should make an analysis of the triple function of UNIDO: the elaboration of industrial development strategies, industrial development operations and the effective administration of the available human and material resources.

82. Mr. SPROW (United States of America) said that UNIDO would be best served by a lean organizational structure, ideally with a director and a single true deputy, but that it was the prerogative of the director to decide the best structure for his organization.

83. His delegation had thus supported the Director-General's proposal outlined at the previous session in document IDB.7/33, but its view had not prevailed and, after protracted discussion in a Working Group, the Board had a lesser plan before it in document IDB.8/45.

84. While his delegation was pleased that the new proposal still called for a single deputy, it noted that the plan did not constitute a true reorganization of UNIDO based on programme priorities, integration of effort and tight internal coordination. Indeed, it tended to duplicate the existing structure with its acknowledged coordination and competition problems, most of the previous creative proposals having been dropped.

85. The immediate issue was whether Member States had the political will to undo the current formula of five deputy directors-general and five departments, which was based on political considerations rather than on concerns for structural efficiency and general effectiveness.

86. It was time to break out of the political straightjacket and achieve some rational reorganization so, although his delegation still had some reservations, it was prepared to support the reorganization plan in document IDB.8/45.

87. Mr. KAMEL (Turkey), noting that any restructuring should enhance the efficiency of the Organization and ensure transparency, said that his delegation agreed that the structuring of the Organization at departmental level was the Director-General's prerogative, as he was responsible for UNIDO's overall performance.

88. The Member States had a vested interest in the efficient working of UNIDO and their views were therefore of great value. His delegation attached the utmost importance to vertical and horizontal in-house coordination between the three major departments and considered the country focus to be an important feature in the new structure.

89. His delegation would prefer a single Deputy Director-General, an arrangement which would give better management and control over the whole structure and significant savings. While it understood the concern for equitable geographical distribution, it felt that that could be achieved over a period of time by rotating the post of Deputy Director-General.

90. The problem was a highly political one and his delegation was ready to be flexible. The appointment of a limited number of assistant directors-general might offer a compromise solution.

91. Mr. SAENZ PICADO (Costa Rica) said that the Director-General was the person most closely acquainted with the work of UNIDO and his proposal that there should be a single Deputy Director-General was thus to be taken seriously. Although it was hard to ignore the political considerations, his delegation supported that proposal.

92. The PRESIDENT invited the Director-General to reply to the points made in the discussion.

93. Mr. SIAZON (Director-General) said that, while he would have preferred the restructuring plan set out in document IDB.7/33, it had been modified to that in document IDB.8/45 after consultations, because it appeared that it would have a greater chance of iliciting a decision by the Board. There could be no doubt, however, that ways would have to be found to improve horizontal coordination within the Organization.

94. It had been suggested that the principle of equitable geographical distribution should apply throughout the Organization. While that principle was embodied in the Constitution, the Constitution also made it clear that ability was a prime consideration. The principle was not applied in the United Nations system to General Service staff or to staff in Conference Services, where linguistic ability was a prime consideration.

95. It had been proposed that field services should be attached to the Director-General's office but, in terms of the full integration of UNIDO operations at the country level, it was better for them to be with Programme Development and Management so as to enhance the exchange of information and to improve collaboration with other sections of UNIDO. One of the reasons for restructuring was the new arrangement with UNDP, which required more "up-front" services.

96. Country studies had been allotted to Programme Development and Management so as to endow area programmes with a greater analytical capacity and to improve coordination with the staff members involved in programme development.

97. A delegation had objected to the footnote on page 5 of document IDB.8/45. He wished to stress that that footnote to annex II was intended solely to provide clarification.

98. It had been suggested that the energy and environment group should be placed under the Director-General but he thought that better coordination would be achieved by placing it with Industrial Policies and Programmes.

99. The PRESIDENT said that the Board had completed its consideration of agenda item 17.

The meeting rose at 5.50 p.m.

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United Nations Industrial Development Organization

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# Industrial Development Board

Eighth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 2 July 1991, at 8.30 p.m.

President: Mr. TOFIGH (Islamic Republic of Iran)

CONTENTS


| Agenda item | | Paragraphs |
|---|---|---|
| 11 | Report of the Programme and Budget Committee: | 1 - 76 |
| | (a) Scale of assessments | |
| | (b) Interim financial performance report and programme performance report | |
| | (c) Financial situation of UNIDO | |
| | (d) Balances of appropriations for the biennium 1986-1987 resulting from the suspension of financial regulations 4.2 (b) and 4.2 (c) | |
| | (e) Programme and budgets, 1992-1993 | |
| | (f) Working Capital Fund | |
| | (g) Financial regulations | |
| | (h) Examination of the practice of zero real growth budgets | |
| | (i) Appointment of an External Auditor | |
| | (j) Industrial Development Fund | |
| 11 | (k) Follow-up of recommendations of the External Auditor for the financial period 1988-1989 | |
| 12 | Medium-term plan, 1992-1997 | 77 - 79 |
| 15 | Progress report on new concepts and approaches for cooperation in respect to industrial development in conformity with Article 2 (c) of the Constitution | 80 - 83 |


The meeting was called to order at 8.35 p.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.8/19 and Add.1)

(a) SCALE OF ASSESSMENTS (IDB.8/4 and Add.1)

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT (IDB.8/10 and Corr.1; PBC.7/16)

(c) FINANCIAL SITUATION OF UNIDO (IDB.8/36; IDB.8/CRP.3)

(d) BALANCES OF APPROPRIATIONS FOR THE BIENNIUM 1986-1987 RESULTING FROM THE SUSPENSION OF FINANCIAL REGULATIONS 4.2 (B) AND 4.2 (C) (PBC.7/15)

(e) PROGRAMME AND BUDGETS, 1992-1993 (IDB.8/8/Rev.1 and Add.1)

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(f) WORKING CAPITAL FUND (IDB.8/7, IDB.8/36; IDB.8/CRP.3)

(g) FINANCIAL REGULATIONS (IDB.8/31)

(h) EXAMINATION OF THE PRACTICE OF ZERO REAL GROWTH BUDGETS (IDB.7/28; IDB.8/CRP.5)

(i) APPOINTMENT OF AN EXTERNAL AUDITOR

(j) INDUSTRIAL DEVELOPMENT FUND (IDB.8/11)

(k) FOLLOW-UP OF RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989

1. Mr. WARNER (Deputy Director-General, Department of Administration) drew the attention of the Board to the scale of assessments set out in documents IDB.8/4 and Add.1. In that connection, he noted that there were two uncertainties. At the present time, it was not known whether or not the General Assembly would adopt changes to the scale of assessments for the United Nations, and it was not known whether or not Australia would rejoin the Organization.

2. Mr. WIESEBACH (Deputy Director-General, Department for Programme and Project Development), referring to sub-item (j), introduced the report of the Director-General (IDB.8/11) on the estimated resource level and programming for 1992 and 1993 of the Industrial Development Fund (IDF). Pledges to IDF in 1990 had amounted to $29.8 million. The apparent substantial decrease in comparison with the 1989 figure of $39.3 million reflected a change in the pledging pattern of one major donor; setting that factor aside, pledges had increased from 1989 to 1990. It was gratifying to note that new donors had joined the Fund, and that some established partners had increased their contributions.

3. Notwithstanding the overall decrease in pledges, the value of projects approved in 1990 had amounted to $30.9 million, thus keeping pace with the amounts approved in the previous year ($31.7 million). In 1990, moreover, an all-time high (94 per cent) had been achieved in the rate of project implementation.

4. The approval figure of $30.9 million was distributed as follows: special-purpose convertible, $25.7 million; special-purpose non-convertible, $1.8 million; general-purpose non-convertible, $1.4 million; general-purpose convertible, $1.9 million. Donor Governments were responding positively to the Secretariat's pleas to provide UNIDO with more programming flexibility, and he singled out the Netherlands, Italy, Sweden, Norway and Germany in that connection.

5. Despite those welcome developments, which facilitated administration, the annual funding level of $50 million for the United Nations Industrial Development Fund endorsed by the General Assembly in 1977 and the $5 million target for the general-purpose convertible segment set by the General Conference of UNIDO at its third session were still far from being attained. The resource position appeared to be even less favourable if calculated in real terms: that was particularly true of general convertible resources. An additional effort by Member States was thus called for. The availability of new resources in the general-purpose convertible segment would have a vital bearing on the Organization's capacity to programme and deliver technical assistance, with due regard to equitable geographical distribution.

6. In consequence of recent decisions by the Governing Council of UNDP on agency support costs and other related matters, extrabudgetary resources and hence voluntary contributions would assume greater significance. Project and programme identification and development would be integrated in the overall operational activities of the United Nations system in the field, and wherever possible coordinated with development-oriented bilateral assistance. The documentation before the Board set out the new proposed programming methodology, as well as proposals for streamlining procedures and reducing administrative costs.

7. It was foreseen that, during the biennium 1992-1993, IDF resources would be put to the following uses: the promotion of innovative, non-traditional pilot projects concerning, in particular, the transfer of new and advanced technologies; the promotion of comprehensive global, regional and interregional projects and programmes for the development or rehabilitation of specific industrial subsectors; the financing of preparatory phases of technical cooperation activities; and enhancement of the flow of resources to productive investment projects.

8. Recalling that the general policy guidelines for IDF were established by the General Conference or by the Board on its behalf, he called for comments and guidance concerning the programming thrust for 1992-1993, so that the relevance and impact of the Fund might be maximized in both substantive and financial terms.

9. Mr. LAVIÑA (Philippines) requested that the following statement made in the Programme and Budget Committee by the representative of India, speaking on behalf of the Asian group of countries, should be included in the annex to the Committee's report on its resumed session (IDB.8/19/Add.1): "The Asian Group is of the view that there are no reasons for further postponing the approval of the programme and budget of the Organization for 1992-1993 and is opposed to the deferment of its consideration. However, it does not want to block any consensus on the issue."

10. He was raising the issue in the Board because the statement of the representative of India had not been included in the annex to the report of the Programme and Budget Committee, although the statements of other countries had been included.

11. Mr. TCHOULKOV (Union of Soviet Socialist Republics), speaking as Rapporteur of the Programme and Budget Committee, paid tribute to the hard work and spirit of cooperation of the members of that Committee, as well as the Secretariat.

12. In reply to the representative of the Philippines, he said that it was not the normal practice to include statements by members in the report of the Programme and Budget Committee. In the present report, it had been necessary to do so because of express requests by five delegations, whose statements had been included. The statements of other delegations, among them the delegation of India, who had not expressly requested inclusion in the report, had not been included.

13. The PRESIDENT said that matters for inclusion in the report of the Programme and Budget Committee should be decided by the Committee itself. He suggested that the Rapporteur of the Committee and his Friends might seek a solution.

14. Mr. PLUG (Netherlands), speaking on behalf of the member States of the European Community, said that having heard the Director-General's opening statement the European Community was obliged to reiterate its concern about UNIDO's critical financial situation. Given the high percentage of unpaid assessed contributions, it was difficult, if not impossible, for UNIDO to implement approved programmes and projects properly. The European Community once again urged Member States to pay their contributions, including any arrears, as soon as possible and to meet their obligations on time in the future.

15. With regard to the use of unutilized balances of appropriations, the member States of the European Community could not agree to suspending financial regulations 4.2 (b) and (c) as a general practice. For those States the proposal on the unutilized balances from 1988-1989 contained in Programme and Budget Committee conclusion 1991/3 was dependent upon the use made of the remaining $6,496,192. Those States also approved the Director-General's proposal in document IDB.8/31 concerning the Tax Equalization Fund.

16. On the matter of the Industrial Development Fund, the European Community recommended that the Board should adopt Programme and Budget Committee conclusion 1991/10 and ask the Director-General to provide the information requested before the fourth session of the General Conference.

17. The member States of the European Community were pleased to recommend to the Board Programme and Budget Committee conclusion 1991/2 on the follow-up of the recommendations of the External Auditor for the financial period 1988-1989. In connection with IDB.7/Dec.5, paragraph (d), they requested the Director-General to submit to the General Conference at its fourth session a detailed report on the action taken with regard to the observations made in the External Auditor's report (IDB.7/11) and the results of the implementation of the audit instructions on those matters, especially with respect to paragraphs 56-60, 63-66 and 95-135 of document IDB.7/11.

18. Mrs. HÖVA-GOTSCH (Austria) said that her delegation had been highly dissatisfied by the performance of the Programme and Budget Committee at its seventh session and the outcome of the session. The Committee had failed, for the second time in two months, to make a recommendation on the budget to the Board, a situation which was all the more deplorable in that disagreements over the figures presented did not seem to be significant. Unless the situation was resolved within the current year, her delegation had grave fears for the future of UNIDO. Her delegation appealed to all members of the Committee and the Board to make their intentions clear and try to be constructive. It would also help if Member States showed a greater sense of responsibility in paying their assessed contributions on time and in full.

19. The financial situation of UNIDO was still distressing. Her delegation had repeatedly appealed to Member States to fulfil their financial obligations to the Organization. The fact that a large number of countries did not enjoy the right to vote at the present time could only be deplored.

20. She regretted Australia's decision not to rejoin UNIDO for the time being. By participating in UNIDO's activities, Australia could also have contributed to the Organization's important work in countries and regions which were relevant to Australia's development cooperation. On the other hand, the recent sessions of the Programme and Budget Committee were unlikely to serve as an incentive for Australia to rejoin. Member States had a joint responsibility to ensure that membership in UNIDO once again became attractive.

21. The Industrial Development Fund continued to be regarded by the Austrian authorities as an important channel for their activities in the area of development cooperation. Not being content to fund particular projects for an indefinite period of time, Austria had recently undertaken, jointly with UNIDO, an evaluation of a number of traditional training programmes. The results had been encouraging, although several proposals for constructive change had been made and were already being taken into account. In future, evaluation and follow-up would be an integral part of projects financed by Austria.

22. Due to parliamentary elections in 1990 and the consequent delay in budgetary procedures, Austria had not been in a position to make a firm pledge to the Industrial Development Fund. In the meantime, the untied contribution of 2 million Austrian schillings had already been remitted. The ultimate contribution to the IDF would depend on a number of projects still in the pipeline, but the intention was to surpass the previous year's level, which was in the region of 14 million schillings.

24. In conclusion, she expressed the hope that the Programme and Budget Committee would reach a decision on the 1992-1993 budget at its resumed session on 23 August. Any further procrastination could well prove fatal for UNIDO.

24. Ms. WIIG (Observer for Norway), speaking on behalf of Denmark, Finland, Sweden and Norway, said that it was clear from the documentation on agenda item 11 that the single most important document, a budget recommendation for approval by the Board, was missing.

25. The budget presented to the seventh session of the Programme and Budget Committee in April was a very ambitious one and the Nordic delegations, among others, had pointed out that a number of items on the income side were uncertain and speculative.

26. However, the revised budget presented to the resumed session of the Committee had satisfactorily met the concerns voiced. The Nordic countries were prepared to accept the revised budget contained in IDB.8/8/Rev.1 and recommend it for approval. That did not mean that they were entirely happy with all aspects of the budget, and particularly not with the way the Secretariat had handled the computer affair. On the contrary, they had serious objections and had no hesitation in saying that there had been mismanagement within the Secretariat.

27. The Nordic delegations believed, however, from the assurances received from the Director-General, that UNIDO had now learnt its lesson, that steps had been taken to remedy the situation and that no similar mismanagement would occur in the future.

28. A number of delegations at the resumed session of the Committee had not shared those views, however, and had insisted that the budget needed yet another revision, and it had therefore been decided to reconvene the Committee in August.

29. The Nordic countries profoundly deplored that situation. UNIDO had been haunted by almost constant crises. It was now time to restore confidence in the relationship between Member States and the Secretariat. That assumed that an effort would be made on both sides: the Secretariat must assure Member States that it was competent and would perform in accordance with the expectation of Governments. Governments must pay their assessed contributions and make an effort to give the Organization the clear instructions it needed to do its job.

30. In that connection, the Nordic delegations agreed with the Director-General who had pointed out that lack of a clear understanding on the programme and budgets for 1992-1993 had introduced a strong element of uncertainty into UNIDO's work, putting ongoing programmes at risk and having negative effects on staff morale.

31. When the Board met again, the Nordic countries hoped that the report of the Programme and Budget Committee would be complete and include a recommended budget.

32. Mr. BELLO (Philippines) said that the most recent session of the Programme and Budget Committee had been extremely difficult, and that the conclusions and recommendations now before the Board for consideration had been arrived at after thorough deliberation and intensive negotiations.

33. His delegation wished to reiterate its conviction that all Member States should cooperate in ensuring the continued existence of the Organization. In particular, more effort should be made in ensuring payment of long-overdue assessments.

34. Secondly, the return to Member States of the unutilized balances of appropriations for the biennium 1986-1987 would further aggravate the already grave financial situation of UNIDO. He urged the continuing suspension of financial regulations 4.2 (b) and (c) in order to cover the supplementary estimate of $0.8 million for the regular budget of 1990-1991.

35. Thirdly, the new priorities and commitments of UNIDO as envisaged in the medium-term plan also entailed reconsideration of the practice of zero real growth budgets. In the current financial situation, no one could expect UNIDO to accomplish its mandate satisfactorily unless the Organization's fiscal policies were adjusted.

36. Like other delegations, his delegation deeply regretted the failure of the Programme and Budget Committee to endorse the programme and budget for the biennium 1992-1993. His delegation had not stood in the way of a consensus in favour of a resumed session of the Committee, and it appealed to other Member States to adopt a constructive attitude in order to spare the Organization from a crisis that was avoidable.

37. The Secretariat had satisfactorily explained the situation and had complied with previous policy directives. It was now up to the Member States to ensure that the Secretariat had sufficient financial support to pursue its mandate effectively.

38. Mr. TAIANA (Argentina) said that his delegation was among those which shared the concern expressed by the Director-General in his opening statement at the failure of the Programme and Budget Committee to approve the programme and budgets for the next biennium. It did not, however, agree with the Director-General's assessment of the circumstances surrounding that failure. The Secretariat seemed to be distancing itself from UNIDO's financial difficulties by attributing them mainly to the non-payment by Members of their obligations to the Organization; admittedly, that was an important element in the situation, but it was also true that decisions taken by the Secretariat had created obligations for the Organization that went beyond what its governing bodies considered acceptable. The result of that undesirable process was a proposal for a budgetary increase of some 14 per cent in real terms. Because of its present economic constraints, Argentina was in no position to approve a proposal which would inevitably enlarge its financial obligations to UNIDO.

39. His delegation did not agree with the observation made by the Director-General in his opening statement that Members in arrears had no right to air views on the affairs of the Organization. Those States should not be lumped together, since the position of a developing country in default because of an economic crisis, natural disaster or austerity measures was not comparable with that of an industrialized country which refused to pay its dues for reasons which were obscure. His delegation took the view that developing countries in arrears because of exceptional economic difficulties should have their voting rights preserved under the dispensation provided for in the second sentence of Article 5 (2) of the Constitution.

40. At the resumption of the Programme and Budget Committee's seventh session, many delegations had spoken of the climate of mistrust which was hampering the Organization's business. His delegation joined others in urging a speedy restoration of confident dialogue based on transparency of information, respect for the terms of reference of the Board and the General Conference and observance of the principles of international cooperation.

41. Mr. CHEN Shiqiu (China) said that the conclusions reached by the Programme and Budget Committee at its seventh session formed a sound basis for the Board's consideration of the item.

42. In regard to sub-items (c) and (d), he noted that the Organization's serious financial situation was due mainly to the late payment of assessed contributions by a large number of Members. That had adversely affected its technical cooperation and been the reason for the retention of unutilized balances of appropriations for two consecutive bienniums, as well as a reduction in the percentage of the operational

reserve. His delegation hoped that Members in arrears would pay their contributions without further delay and that all Members would pay their assessed contributions as early as possible in each calendar year, so as to extricate the Secretariat from its financial dilemma. At the same time, the Secretariat should study opportunities for improving internal coordination and the quality of its technical cooperation, with a view to enabling UNIDO to play a more encouraging role in the industrialization of the developing countries. Efforts made by the Secretariat in those directions would attract the more timely and more abundant provision of funds for its work. His delegation approved the Director-General's request to use $4.3 million of the unutilized balances of appropriations for the biennium 1986-1987 and it hoped that they would be allocated to areas of activity which badly needed support.

43. With regard to sub-item (e), his delegation regretted that the dispute over the computerization programme had prevented the Programme and Budget Committee from approving the proposed programme and budgets for the biennium 1992-1993. It hoped that the Secretariat would revise the programme and budgets further with a view to their approval by the Programme and Budget Committee at the resumption of its session the following month. In undertaking that revision, the Secretariat should take account of three points. First, in 1992 the introduction of national project execution and other measures would alter the existing relationship between UNIDO and recipient countries, and 1992 was also the year for a restructuring of UNIDO with the aim of strengthening its substantive units; those developments should be reflected in the present proposals, and it was puzzling that budget allocations for certain operational units had been cut. Secondly, the important activity of economic and technical cooperation among developing countries (ECDC/TCDC) should receive at least the same budgetary allocation as it enjoyed in the present biennium. Finally, the resources allocated to the pursuit of special trust fund activities should be commensurate with their anticipated expansion to meet the objectives of the medium-term plan for the period 1992-1997.

44. In regard to sub-item (i), China welcomed and approved the proposal to extend the present appointment of the Senior President of the Audit Office of Belgium as the External Auditor of UNIDO.

45. In connection with sub-item (j), his delegation regretted the failure of the Industrial Development Fund to achieve its target of $50 million of contributions annually. It urged the Secretariat to continue its efforts to obtain more contributions to the Fund and to conduct further studies and more extensive consultations with donors and recipients about ways and means of utilizing it as beneficially as possible. His delegation thanked the Governments of the United Kingdom, France, Germany and Belgium for their assistance to his country with IDF projects.

46. His delegation approved the draft conclusions submitted in connection with the matters covered by the remaining sub-items of agenda item 11.

47. Mr. ADEKANYE (Nigeria), speaking on behalf of the African Group, voiced the concern of the African countries at the serious financial situation of the Organization. The level of outstanding contributions was particularly disturbing: unless Member States fulfilled their financial obligations, UNIDO would be unable to function properly. He would once again, therefore, appeal to defaulting Member States, particularly the major contributors, to comply in a timely manner with the provisions of the Constitution and with financial regulation 5.5 (b).

48. The position of the African countries with regard to the programme and budgets for 1992-1993 had been expounded in detail in the Programme and Budget Committee. It was not their intention to block consensus on the adoption of a budget. Their concern was that, given the primacy of UNDP/IPF (indicative planning figure) resources in UNIDO's technical assistance activities, the largest share of which was destined for the African region, resources for projects and programmes there should reflect the reality of Africa as UNIDO's principal constituent. The revised proposals for the programme and budgets, 1992-1993, showed an overall $5.7 million reduction, which obviously implied cuts in technical assistance and other programmes for the developing countries. At the same time, the Secretariat was treating the electronic data-processing (EDP) programme as if it could not be modified. The delegations for whom he spoke found it difficult to accept that state of affairs.

49. They wished, therefore, to reiterate their view that, in the next revision of the budget proposals, technical assistance programmes for the developing countries should be restored to the same funding levels as in the original proposals. That could, they were sure, be achieved if activities were prioritized in accordance with the medium-term plan and the provisions of the Constitution. More specifically, substantial reductions were called for in EDP, not merely with regard to the mainframe computer but also - and perhaps more importantly - in the various contracts and subcontracts for facilities and other accessories. It was also the conviction of the African delegations that the funding of UNIDO's environment programme and of the energy programme, if approved, should be largely from extrabudgetary resources and not solely from the meagre regular and operational budgets of the Organization.

50. Finally, he submitted that, given the increasing demand for UNIDO's services, the practice of zero real growth budgeting should be reviewed as a matter of urgency. The informal open-ended working group of Member States should be reconvened to re-examine the issue, and some measure of real growth should be envisaged, at least in 1994-1995.

51. Mr. KOSTENKO (Ukrainian Soviet Socialist Republic) said that his delegation found itself in broad agreement with the conclusions and recommendations adopted by the Programme and Budget Committee at its recent session. However, it fully supported those delegations which considered that the suspension of financial regulations 4.2 (b) and (c), which related to unused balances from previous bienniums, should be of a merely interim nature. It was understandable that the Organization should endeavour to find a way out of the financial crisis, but in his delegation's view the solution lay not in constant tinkering with existing financial rules but in more clear-cut planning of UNIDO's activities and greater accountability for the ways in which the available funds were used.

52. His delegation was also seriously concerned by the situation which had arisen in connection with the adoption of the programme and budget for 1992-1993. As many delegations had pointed out, the new format of the document was largely satisfactory from the standpoint of clarity and simplicity, although it was not without shortcomings. The version prepared by the Secretariat which had been considered at the resumed session of the Committee on 27 June (PBC.7/10/Rev.1), provided a sound basis for working out a solution. It was regrettable that a consensus had not been reached on the document; he hoped that, at the resumed session on 23 August, delegations would adopt a more constructive approach.

53. Mr. CLARK (United Kingdom) said that his delegation had expected the Programme and Budget Committee to give the the Board firm and clear advice on the level of the budget for the next biennium. It had supposed that the discussion would resolve all the remaining problems. However, the Committee had had to defer its decision yet again to 23 August. That would be the last chance to keep UNIDO alive. The Committee, having failed to do its job, was now forcing the Board in turn to delay its decision on the most important item on its agenda. He hoped that that would not happen again.

54. His delegation had no problems in accepting the budget proposals providing that ceilings were set on the cost of the EDP programme and on restructuring.

55. His delegation accepted the obligations implied by the proposed scale of assessments as agreed by the Committee in its conclusion 1991/7, which, as usual, was based on the United Nations scale and reflected Member States' ability to pay.

56. Setting the scale of assessments was one thing; ensuring that enough money was available was another. His delegation was concerned that contributions still outstanding amounted to the equivalent of some $53,138,000. If UNIDO was to be in a position to make a worthwhile contribution to the development of the third world, it must have a sound financial base. He urged all Member States to pay their contributions in good time, and at any event to pay their arrears. No country was well placed to complain about future budgets if it had not fulfilled its obligations.

57. Turning to the Working Capital Fund, he said that his delegation was concerned that the non-payment of contributions by Member States had made it necessary for the Fund to be drawn down to the extent that it had become almost exhausted. However, his delegation believed that there was no case for increasing the Fund, since it already stood at more than one month's expenditure which was more generous than the United Nations norm. In his delegation's view the solution to the cash flow problem lay elsewhere.

58. UNIDO was in a dangerous situation. The failure to agree a budget had increased demoralization and the sense of uncertainty. Moreover, disquieting reports had been received from New York concerning the effects of UNDP decisions on UNIDO Country Director posts, which added to UNIDO's financial problems. His delegation hoped that it would be possible to resolve the outstanding issues on 23 August and, by agreeing a consensus budget on that date, restore a sense of purpose to the Organization and to the Member States.

59. Mr. BOKONGA (Zaire) thanked the Deputy Director-General for his introduction, and endorsed the statement made by the representative of Nigeria. His delegation joined in deploring the continued inability of the Programme and Budget Committee to endorse the budgetary proposals for 1992-1993. On the other hand, it might have created an unfavourable precedent if the Committee had taken a decision while a number of fundamental uncertainties remained. For that reason, his delegation could only urge that steps be taken to reach a satisfactory arrangement with regard to the electronic data-processing system, and to arrive at a consensus on UNIDO's organizational and staff structure. Finally, he wished to echo most strongly the appeal made by the representative of Nigeria to all Member States in arrears which were able to do so to regularize their situation; failure to do so would mean that a number of programmes might have to be placed in cold storage.

60. Mr. ALVAREZ GORSIRA (Observer for Venezuela) said his delegation had expressed its views fully in the seventh session of the Programme and Budget Committee. For the sake of brevity, he wished merely to recall his reservations concerning the Committee's conclusion 1991/3. The continued suspension of financial regulations 4.2 (b) and 4.2 (c) was not conducive to good management. He had reservations concerning the use of unutilized balances as supplementary estimates for subsequent bienniums. Neither did he agree with the redeployment of resources originally intended for the direct benefit of developing countries to other activities not expressly approved by the General Conference. The comments made by his delegation at the seventh session of the Programme and Budget Committee had been directed towards restoring good administration and the confidence of Member States in the Organization.

61. Mr. ANGUIANO ROCH (Mexico) said he wished to express his delegation's deep concern at the fact that the Programme and Budget Committee had not yet reached a decision on the Director-General's revised proposals for the programme and budgets of UNIDO for the biennium 1992-1993. The existing state of affairs was incompatible with the Financial Regulations and with the duties of UNIDO's policy-making organs. Many delegations had fundamental doubts about the way in which the Director-General had calculated the anticipated assessed income for the forthcoming biennium and about the unjustified expenditure which it was proposed to incur on the computerization system. His delegation reminded the Board that, at the resumed seventh session of the Committee, the Latin American and Caribbean Group had agreed to postpone a decision on the revised proposals on the understanding that the Secretariat would revise the proposals further for consideration by the Committee at the second resumption of its seventh session which would take place on 23 August 1991.

62. With regard to sub-items (a) and (e), his delegation approved the application to the regular budget of an estimated rate of inflation of 8.22 per cent, as reflected in the table in paragraph 91 of the introduction to the revised proposals (IDB.8/8/Rev.1), but it could not agree

that it should be applied to the artificially revalued figure of some $164 million. The regular budget appropriation for 1990-1991 was approximately $156 million; in keeping with the practice of zero real growth budgeting, the rate of inflation should be applied to that sum, not the higher one, so as to give a total of approximately $170 million for the regular budget for 1992-1993. That was the figure to which the coefficient of adjustment to the scale of assessments should then be applied.

63. Table 2 (a) of the revised proposals should thus show a total income of $171,750,600; the difference of $8,048,400 between that and the total projected regular budget expenditure of $179,799,000 in the biennium 1992-1993 should be shown as an adjusting entry on the other side. That was the real deficit proposed by the Director-General and corresponded basically to the expenditure proposed for the computerization programme, the implementation of which was beset by errors of calculation of various kinds and doubts about the commitments which it imposed on the Organization.

64. The correct action for the Board to take with regard to the proposed regular budget for the biennium 1992-1993 was to give clear instructions that the maximum amount of assessed contributions would be the approximate figure of $170 million which he had mentioned, and that any expenditure on the computerization programme from the regular budget should be met from existing resources and not from those allocated to other approved programmes. The Director-General should suggest a different figure from the $11,650,000 proposed in table 1 of the addendum to his revised proposals (IDB.8/8/Rev.1/Add.1) as the resource requirement for the computerization programme in 1992-1993. If the bulk of that expenditure was to be met from the regular budget - the $7.67 million proposed in paragraph 116 of the introduction to the revised proposals themselves (IDB.8/8/Rev.1) - expenditure on the programme would obviously have to be adjusted to a figure of approximately $378,000 if a deficit was to be avoided. His delegation could not accept statements of the kind made by the Secretariat at the resumed seventh session of the Programme and Budget Committee to the effect that suspending payment on the computerization programme in 1992-1993 and beyond would force UNIDO to revert to manual systems of data processing. If that was so, what justification was there for the unauthorized expenditure of nearly $20 million which had taken place or would take place from 1989 to the end of 1991?

65. Mr. SPROW (United States of America) said his delegation could support the revised proposed programme and budget contained in document IDB.8/8/Rev.1, since it reflected the concerns Member States had expressed in the course of the April meetings of the seventh session of the Programme and Budget Committee. He reiterated his delegation's disappointment that it had not been possible to reach a conclusion thereon. Indeed, the failure to agree on such a fundamental matter raised serious questions about the continuing viability of the Organization.

66. Mr. RIBEIRO DA SILVA (Brazil) shared the views expressed by the representatives of Argentina, Mexico and Venezuela. His delegation supported Programme and Budget Committee conclusion 1991/2. He had reservations concerning the suspension of financial regulations 4.2 (b) and 4.2 (c). He was seriously concerned about the transfer of expenditures without the express approval of the General Conference and disagreed fundamentally with subparagraph (b) (iv) of conclusion 1991/3.

67. He joined with other delegations that had expressed regret at the failure to reach a decision on the programme and budget. However, the policy of his Government was not to approve real growth budgets. Without transparency and clear explanations, it would be difficult to convince his Government otherwise. He hoped that the next revision of the programme and budget would be the last.

68. Regarding conclusion 1991/9, his delegation had not opposed consensus on the split assessment ratio, but it was not in favour.

69. Mr. KOCH (Germany) said that, taking a pragmatic approach, his delegation could have accepted the revised proposed programme and budget submitted to the resumed seventh session of the Programme and Budget Committee. He trusted that the second resumed session of the Committee would result in a conclusion.

70. It was his understanding that the costs of the resumed sessions of the Programme and Budget Committee and the Board would be met from within existing approved estimates. He requested confirmation of that by the Secretariat.

71. Mr. TCHOULKOV (Union of Soviet Socialist Republics) said his delegation regretted the failure to achieve consensus on the programme and budget for 1992-1993 at the resumed session of the Programme and Budget Committee. He hoped that next resumed session of the Committee would achieve that consensus, thus creating a sound, healthy working environment enabling the Organization to concentrate on substantive issues.

72. Mr. PUTHO (Observer for Thailand) said his delegation could accept the revised programme and budget proposal contained in IDB.8/8/Add.1, and regretted that it had not been adopted. In a spirit of consensus, his delegation had not blocked the decision to hold a resumed session of the Programme and Budget Committee on 23 August. However, he urged Member States to be flexible to ensure that the programme and budget would be adopted then; otherwise, the consequences for the Organization would be very serious.

73. Mr. RIOBO PIÑONEZ (Chile) regretted that many of the activities under the operational budget were only indirectly connected with technical assistance. He would have liked to have seen more, not less, resources allocated to ECDC/TCDC. On the other hand, the amounts provided for the environment programme seemed excessive. Finally, concerning conclusion 1991/13, paragraph (c), the funds to meet the fees of the EDP experts should be drawn from the regular budget, not the operational budget, in order to comply with the financial regulations, which prohibited transfers between the two budgets.

74. Mr. TALUKDAR (Observer for Bangladesh) said he shared the concern over the effects of the failure to decide on a programme and budget for the next biennium. He also expressed concern at the high level of arrears of assessed

contributions, and urged Member States to remedy that situation. Thirdly, the resource constraints on UNIDO made it desirable that the question of zero real growth budgets should be reviewed by the General Conference.

75. Mr. SIAZON (Director-General), replying to the question raised by the representative of Germany, said that the additional costs of the resumed sessions of the Programme and Budget Committee and the Board had, of necessity, to be absorbed in existing appropriations.

76. In reply to the representative of Chile, he pointed out that, as defined in the Constitution, the operational budget consisted of all voluntary contributions, including UNDP funds, available for technical cooperation, and not merely support costs. However, according to convention and practice the operational budget was constructed only on the basis of support cost income. The different sources of funds were separated for working purposes, but it had to be emphasized that they were all part of the operational budget. Resources were available for ECDC. However, in his view, it was important first to identify good programmes and projects. Having done that, it would always be possible to find funding from one of the possible sources.

MEDIUM-TERM PLAN, 1992-1997 (IDB.8/30; PBC.7/17)

77. The PRESIDENT drew the attention of the Board to Programme and Budget Committee decision 1991/5, recommending to the Board that it submit to the General Conference for approval after due consideration the revised version of the draft medium-term plan (PBC.7/17).

78. Mr. ERSAVCI (Turkey) said he agreed with the medium-term priorities contained in document PBC.7/17, but felt they should be properly reflected in the programme and budget. There was also a need for some flexibility, to avoid inequitable geographical distribution of cooperation, and to permit attention to special needs, outside the medium-term priorities, of particular developing countries.

79. He agreed that the environment programme should be financed from extrabudgetary sources. He hoped that the Secretariat would seek out new sources of funding, especially through investment promotion and trust funds.

PROGRESS REPORT ON NEW CONCEPTS AND APPROACHES FOR COOPERATION IN RESPECT TO INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (c) OF THE CONSTITUTION (IDB.8/39)

80. The PRESIDENT pointed out that document IDB.7/15 on the present item had been submitted to the Board at its seventh session. The Board had decided to postpone consideration of the subject until its eighth session; it now had before it an updated version of document IDB.7/15 in document IDB.8/39.

81. Mr. RIBEIRO DA SILVA (Brazil) said he could accept paragraph 41 of IDB.8/39, since it now reflected his delegation's belief that UNIDO was in a position to be trading at the macro-economic level. He liked the new concept of the strategic management of industrial policy described in paragraph 39 of IDB.8/39, since it was a modern approach. He did have some doubts about UNIDO's role as an impartial intermediary, but generally his delegation could accept the concepts and approaches described even if they were perhaps not so new. He hoped that in future there would be an opportunity for an in-depth discussion of such issues, perhaps in a working group.

82. Mr. RIOBO PIÑONEZ (Chile) expressed appreciation for document IDB.8/39. However, he did not think that the approaches and concepts contained in it were really new. He felt that there could be regular discussion, perhaps every two or three years, involving Member States and experts outside the usual circle consulted by the Director-General, in order to seek genuinely new approaches and concepts.

83. Mr. SIAZON (Director-General) agreed that it would be useful to learn from Member States what they expected or would like with respect to new concepts and approaches. Statements in the Board on the subject would be a good way of obtaining new ideas. Perhaps a working group could be established again, although he thought that it should not meet too often. New concepts and approaches could also be developed in the context of bilateral relations between UNIDO and Member States, such as the UNIDO/Brazil joint committee.

The meeting rose at 10.45 p.m.

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United Nations Industrial Development Organization

# Industrial Development Board

Eighth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 3 July 1991, at 10 a.m.

President: Mr. TOFIGH (Islamic Republic of Iran)
later: Mr. CONSTENLA (Costa Rica)

CONTENTS


| Agenda item | | Paragraphs |
|---|---|---|
| 6 | Industrial investment promotion | 1 - 86 |
| 10 | Special trust fund projects | 87 - 132 |


The meeting was called to order at 10.20 a.m.

INDUSTRIAL INVESTMENT PROMOTION (IDB.8/18; IDB.8/CRP.2)

1. Mr. ARAOZ (Deputy Director-General, Department for Industrial Promotion, Consultations and Technology) said that document IDB.8/CRP.2, containing a summary report on the evaluation of the industrial investment activities of UNIDO, pointed out that UNIDO was one of the first international organizations involved in the promotion of foreign investment for the industrialization of developing countries (paragraph 24). The various activities undertaken by UNIDO followed accepted and viable approaches, but their efficiency and effectiveness could be enhanced in areas where UNIDO had comparative advantages. A start had already been made in implementing the recommendations of the evaluation report, and he was confident that when the other recommendations were implemented the impact of UNIDO's industrial investment programme would be considerably enhanced.

2. That impact was not only to be measured in terms of the number of projects successfully promoted. There were important positive effects in developing countries through training and the development of national capabilities for the identification, preparation and promotion of projects. Other positive effects were the learning process undergone by local entrepreneurs who, in investment forums and elsewhere, were brought face to face with prospective investors who worked with them to refine their projects. They became aware of the shortcomings as well as the hidden possibilities of their projects as they went through the process of discussion of intentions, opportunities, costs and possible alternatives. Thus developing country entrepreneurs acquired new knowledge about possibilities in the real world and about the procedures and methodologies needed to develop those possibilities into bankable projects.

3. During the past few years there had been a growing appreciation of the effectiveness and usefulness of UNIDO's investment-related activities. UNIDO was receiving an increasing number of requests from developing countries for the design and implementation of integrated technical co-operation programmes with the aim of mobilizing additional investment resources, enhancing the investment climate and improving the environment for private-sector development.

4. Moreover, several international development and financing institutions were now co-ordinating their activities with those of UNIDO. Those

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institutions included the Centre for Industrial Development of the European Economic Community, the Commonwealth Secretariat, the Andean Development Corporation, the Africa Project Development Facility, national development and financing institutions and UNIDO's recently established Private Sector Development Division.

5. There was noticeably growing interest on the part of industrialized countries and some developing countries in setting up UNIDO investment promotion offices.

6. Document IDB.8/18 provided detailed information on progress made on promoting the flow of investment resources to developing countries, the strengthening and establishment of investment promotion institutions, regional investment promotion, increasing the number of delegates from developing countries in the Investment Promotion Service (IPS) offices and strengthening coordination with the United Nations and other organizations concerned with the promotion of investments. However, the expansion of UNIDO's activities was restricted by the limited resources made available under the zero growth regime. He therefore appealed to members of the Board to identify ways and means of channelling additional resources into UNIDO's investment activities. The Secretariat was ready to assist in that regard.

7. Mr. PLUG (Netherlands), speaking on behalf of the 12 member States of the European Community, said that document IDB.8/18 had unfortunately arrived too late for an in-depth examination.

8. The member States of the European Community welcomed the comprehensive evaluation report on the industrial investment activities of UNIDO. Such evaluations were needed so that the Organization's activities could be kept under constant review.

9. The general conclusions to be drawn from the report were, however, similar to those of earlier reports, namely that there was a lack of internal coordination of the activities conducted by one unit or section in relation to the work of other units, that there was a focus on quantitative as opposed to qualitative output, and that the units or sections concerned did not pay sufficient attention to setting priorities for the various activities. Such deficiencies should be remedied.

10. The member States of the European Community agreed that it was necessary to provide for further integration of investment through better coordination both within UNIDO Headquarters and with the IPS offices or their equivalents, that criteria should be developed to improve the quality of projects by the Industrial Investment Division, and that stronger networking of focal points should be provided in both developing and developed countries.

11. Moreover, the European Community endorsed the need for clear terms of reference on the selection and assessment of projects, the formulation of minimum standards for projects and sponsors, a realistic time-scale for keeping projects on file, and adequate information on sponsors. They would like to hear how the Director-General intended to implement those recommendations.

12. The member States of the European Community again stressed the importance of the decision in resolution GC.3/Res.19 that IPS offices in developing and recipient countries should promote industrial investment in other countries as well as inward investment, and endorsed the finding of the report that an environment conducive to foreign investment was essential to that end.

13. Another area where the Industrial Investment Division had full responsibility was in the organization of the investment forums, which provided a means to reach potential investors and sponsors. However, some investment forums seemed to be an end in themselves rather than a stage in the process of investment promotion. The forums should be well prepared and should focus on small and medium-sized projects, kept as short as possible, limited to two or three per year, and geared to the needs of the business community. Appropriate attention must be paid to follow-up.

14. The need to improve cooperation with other international, regional and bilateral financial institutions was more pressing than ever. The member States of the European Community supported the recommendations on coordination at the country level and looked forward to hearing of the outcome of talks with the World Bank and other financial institutes.

15. Noting that the Director-General's revised proposal for the restructuring of the organizational and staff structure included the merging of the Feasibility Studies Branch with the Industrial Investment Division, he observed that, whatever structure was selected, its success would depend on close coordination.

16. Mr. MOHAMMED (Nigeria) said that his delegation supported the regional focus of UNIDO's investment activities and hoped that the programme would be further strengthened.

17. He urged that the Secretariat should take due note of the conclusion of the evaluation report concerning the need to assist regional and subregional investment projects for the least developed countries and offer institution-building technical assistance to improve their regulation and assist them in establishing investment promotion agencies.

18. The investment climate in Nigeria had now been totally liberalized, and foreigners could establish any business either alone or in a joint venture with others. Nigeria hoped that more foreign investors, both official and private, would take advantage of the current opportunities for investment. Moreover, Nigeria hoped that the Secretariat would continue to support and assist the follow-up activities in seeing through the projects for which letters of intent had been signed at the recent investment forum held in May.

19. His delegation endorsed the conclusions and recommendations contained in the report on the evaluation of the industrial investment activities of UNIDO (ODG.12(SPEC.)), which were far-reaching, useful and detailed and merited serious consideration by the Secretariat.

20. Mr. Constenla (Costa Rica) took the Chair.

21. Mr. POLAIAJKO (Commonwealth Secretariat) said that the Commonwealth Secretariat, the intergovernmental organization of the 50 member countries of the Commonwealth based in London, had had an active programme of technical assistance to promote the industrialization of the developing countries of the Commonwealth for just over a decade. In 1980 the Industrial Development Unit (IDU) had been established within the Commonwealth Secretariat, to complement the

already existing programmes of the Commonwealth Secretariat's Commonwealth Fund for Technical Cooperation in the fields of export market development, education and training and the provision of long-term experts to developing countries.

22. The main function of the Unit was to act as a catalyst to help channel technology and capital resources from one part of the Commonwealth to another in the pursuit of industrial growth. Since 1980 the Unit had undertaken over 700 technical assistance projects to develop new industries or to rehabilitate existing industrial enterprises. During the last five years, almost 100 projects receiving technical assistance from the Unit had commenced or increased production, involving mainly private sector investments of about $100 million and providing employment for over 12,000 people.

23. In its programmes of technical assistance, the Unit had collaborated closely at an operational level with the Industrial Investment Division of UNIDO. It had co-sponsored with UNIDO industrial investment promotion forums in Sierra Leone, Kenya and Nigeria. That collaboration included sharing in the technical consultancy work of project identification and preparation, organization of the investment forums and follow-up technical assistance support to industrial projects promoted at the forums. The Unit had found that type of cooperation to be a cost-effective way of implementing technical assistance activities in the developing countries of the Commonwealth.

24. Collaboration with UNIDO had also given the Unit an opportunity to discuss in depth with UNIDO staff the strategies and operational measures that were most effective in promoting industrial investment. The Commonwealth Secretariat had been consulted by UNIDO during the field work for the report on the evaluation of industrial investment activities of UNIDO which was currently under discussion. The Unit found the report well researched and well thought-out and supported the concept of the need for an integrated approach in investment promotion that adjusted to the different stages of the project investment cycle.

25. The Commonwealth Secretariat's experience over the last decade had shown that successful industrial project development required the design and implementation of a coordinated package of technical assistance measures for the promotional, implementation and operational stages of industrial projects. It usually took several years for a project to mature in a developing country, and another lengthy period for a project to reach the stage of production. There was therefore a need for a multiphase and multifaceted "turnkey" type of approach to technical assistance at project level, which maintained close coordination with the activities and requirements of project sponsors and technical and financial collaborators throughout the project development cycle.

26. Mr. HOSSEIN ZADEH (Islamic Republic of Iran) said that the comprehensive documents submitted to the Board showed that good progress had been made recently in UNIDO's industrial investment activities. However, in his own region it had not been possible to make use of such investment facilities. The war in the Persian Gulf had caused much human and material loss to the countries of the region, the true dimensions of which had not yet been revealed. Although his country had taken a neutral stance, and because of its humanitarian beliefs had done its best to prevent the spread of war, it had suffered huge losses.

27. More than a million Iraqi refugees had fled to the Islamic Republic of Iran, which was spending about a million dollars a day to shelter and feed them. Although some Member States of UNIDO had helped in coping with that human tragedy, much still needed to be done for the refugees.

28. Another result of the war in the Persian Gulf and the influx of refugees was that the chances of investment in the development of the countries of the region had been greatly reduced.

29. As far as industrial development promotion was concerned, his Government had decided to set up an Industrial Promotion and Technological Cooperation Service (IPTCS) in Tehran. The preliminary draft project document was under negotiation with UNIDO. A delegation from the Islamic Republic of Iran had gained experience from participating in industrial promotion forums held in Kenya and Nigeria.

30. Following the establishment of IPTCS, his Government would invite interested parties to participate in an investment promotion forum to offer their projects, following which joint venture agreements might be concluded. However, interested parties were already being invited to undertake investments in Qeshm Island, which had recently been designated as a free zone in the Persian Gulf. The UNIDO Coordination Commission at the Ministry of Industry of his country would make the necessary arrangements.

31. His Government welcomed the initiative taken by UNIDO for a growth in the delegate programme planned for the 1992-1993 biennium in IPS offices (paragraph 23 of document IDB.8/18), and was willing to participate in the programme.

32. Through computer aids and related training and particularly through the use of the new techniques of feasibility studies and financial analyses of projects such as COMFAR, as well as by the establishment of links with other IPS offices and international financial institutions, his Government hoped to boost industrial development in cooperation with UNIDO.

33. Mr. OBA (Japan) said that his delegation fully supported the investment-related activities of UNIDO and had spared no effort to assist in the further development of the programme through the activities of the Tokyo IPS office and through voluntary contributions to assist in the identification of possible opportunities for investment. In 1991, as a new departure, the Tokyo office, as part of its delegates programme, had hosted delegates from sub-Saharan African States.

34. His delegation wished to stress the need to adhere to the IPS guidelines adopted some years before. In particular, it was concerned at the increasing number of centres for industrial cooperation which were part of UNIDO's activities. Funds from the regular budget were used to backstop their activities by UNIDO Headquarters. The time had perhaps come to define and clarify the characteristics, functions and terms of reference of those centres within the framework of UNIDO's mandated activities.

35. His delegation appreciated the timely presentation of the investment activities evaluation report, a type of study which provided a valuable opportunity for in-depth analysis of UNIDO's work in the promotion of industrial investment. Any investment promotion effort carried out by UNIDO should eventually result in the transfer of technology and the enhancement of managerial, institutional and manpower capabilities and the creation of opportunities for the recipient countries.

36. Miss BROCHET (France) said that France had always supported UNIDO's industrial investment activities and financed an investment promotion service in Paris which hosted delegates from developing countries. France had also allocated nearly $2 million to the programme for the agro-food sector jointly organized by the Government of France, UNIDO and the International Finance Corporation, under which a data bank had been established including more than 500 French firms in the agro-food sector prepared to engage in industrial cooperation. The file was now being extended to three further sectors. The programme also covered missions to identify local partners in Africa, Asia, Latin America and central and eastern Europe, and pre-investment and investment studies. The programme was proving very useful in developing long-term industrial cooperation.

37. France welcomed the increase in the amount of industrial investment generated by projects promoted by UNIDO in 1990, as compared with 1989.

38. Her delegation appreciated the high quality of the evaluation report and supported most of the recommendations. However, it had a few additional points to make.

39. Using its network of international contacts, UNIDO should concentrate its identification and promotion efforts on small and medium-sized private-sector enterprises, and gear its approach to the specific needs of each region.

40. In view of the structural problems noted in the evaluation report, the industrial investment activities currently being carried out by 10 units should be consolidated and the Industrial Investment Division and Feasibility Studies Branch should be merged.

41. Her delegation attached great importance to an integrated approach. The project identification and selection phase should be improved; project quality should be stressed rather than quantity; greater attention should be paid to end-users, particularly industrial concerns in the private sector; and there should be more systematic follow-up of promoted projects.

42. There was a need to coordinate project promotion and identification activities at UNIDO Headquarters; attention should be paid to the constant updating of data banks, improved dissemination of information to end-users in a single network, and adequate assessment of the viability of industrial projects.

43. As far as investment forums were concerned, there was a need for careful prior selection of quality projects supported by local promoters, guaranteeing industrialists at the forums a minimum level of feasibility, and for partners in the forum to be targeted, particularly with regard to representatives of industry and the financial sector.

44. Better assessment of the investment promotion network was needed, common working rules should be adopted and links between financial sectors and industrialists improved.

45. National promotion agencies in developing countries should be used to filter local demands. However, her delegation had reservations about the establishment of regional agencies.

46. There was a need for closer cooperation with financial donors at multilateral, regional and bilateral levels. They should become more systematically involved on a case-by-case basis, and criteria should include project feasibility.

47. She stressed the importance attached by France to results and to the effective implementation of projects. She drew attention to the fact that investment flows to the developing countries, in particular the least developed countries, had declined. UNIDO should seek ways of redressing that state of affairs.

48. Mr. MUÑOZ LEDO (Mexico) said that his country had taken note of the progress achieved in UNIDO's industrial investment promotion activities and that it believed that the continuing regionalization of those activities was a step in the right direction to meet the differing needs of the developing countries. Members would have a better picture of the impact of those activities if the data made available were to refer to investments actually made and not to commitments. Regarding the Investment Promotion Service offices, his Government had recently concluded an agreement with the Warsaw Office providing for a one-year assignment to that office of a Mexican official to identify investment and financing possibilities. In return, a Mexican financial institution would receive a Polish official.

49. In the Board's decision IDB.6/Dec.15, the Director-General had been reminded that he should submit as soon as possible a study on the possibilities and modalities for fostering regional investment promotion activities, but document IDB.8/18 (paragraph 11) indicated that, owing to staff and financial constraints, only the African region had been studied. His delegation wished to draw the Director-General's attention again to the need to submit the study in question to the General Conference at its next session.

50. With regard to the evaluation report prepared on the subject of investment promotion activities, his delegation had not received the document summarizing the contents of the report, but he wished to make some preliminary comments. Firstly, the report did not represent an in-depth assessment of UNIDO's investment promotion activities, but rather a series of random recommendations. Little or nothing was said about the work of the IPS offices or of the international development centres in Moscow and Beijing. Secondly, the establishment of IPS offices was not an essential requirement for the encouragement of industrial investment in the developing countries. Thirdly, the proposal to charge businessmen a fee, however small, for investment promotion services was not consistent either with UNIDO's mandate or with the principles of international cooperation.

51. Before any recommendation was adopted, his delegation would prefer the Director-General to revise the report so that it would provide a real evaluation of the Organization's activities in the

area of investment promotion. It should also be borne in mind that the main objective of those activities was the mobilization of financial resources towards developing countries and that the services provided in that field should be aimed at ensuring maximum usefulness for industry in the developing countries and not assessed in terms of the financial rate of return.

52. Mr. PROKHOROV (Union of Soviet Socialist Republics) said that the problem of mobilizing financial resources for industrialization in the developing countries was becoming more acute as a result of a series of factors which were determining trends in structural changes in the entire system of global economic relations, the most important being the imminent prospect of a redistribution in the scale and direction of financial flows, arising from the overall imbalance in world economic development.

53. For that reason, his delegation welcomed the conclusions and proposals put forward by the Secretariat with the aim of enhancing the effectiveness of UNIDO's investment promotion activities, particularly through concentrating those activities in a single unit and establishing an integrated system for evaluating the quality of projects, including modernization of the information system concerning investment promotion and the corresponding computerized data bases. The impact of such measures could be greatly enhanced if there was widespread use of international expert groups to undertake a comprehensive analysis of the investment cycle, taking into account the social and economic climate in a particular developing country and its natural and human resources.

54. UNIDO could fulfil its mandate more effectively by involving the countries concerned, including eastern European countries, more closely in its activities, and by extending and improving its Investment Promotion Services and assisting planning and managerial agencies at the national level. The training of highly qualified staff, the provision of consultancy services and the holding of investment forums were also objectives which might be given precedence over more traditional forms of technical assistance.

55. The regional component in industrial investment promotion also held great potential, but UNIDO's successes in that area had unfortunately proved to be modest, although a series of projects relating, in particular, to information networks and subcontracting exchanges, for example in Latin America and the Middle East, had been both effective and practical. His delegation considered that the Secretariat should devote greater attention to regional programmes and projects for the promotion of industrial financing and that it should cooperate more actively with the United Nations regional commissions in that regard.

56. In conclusion, he said that there were considerable possibilities in the long term for coordinated regional and national efforts to attract foreign investment for financing environmental protection programmes.

57. Mr. RASAPUTRAM (Observer for Sri Lanka) said that the success of the industrial investment promotion programme could not be measured in financial terms alone, since the multiplier effects of investment on income, employment and output could also bring lasting benefits in terms of accelerated growth. In that regard, his delegation noted with great satisfaction the steady progress made by IPS offices in promoting and successfully completing investment projects. For that reason, his delegation fully supported the strengthening and expansion of the programme. In that connection, he welcomed the assistance provided in the organization of the forthcoming Sri Lanka Investment Forum, to be held in November 1991. It was hoped that the result would be a greater flow of resources to Sri Lanka through private sector participation, in view of the transition currently under way from central planning to private initiatives. The UNIDO IPS offices might be able to advise the investment-receiving countries regarding the feasibility of setting up various ventures, taking into account environmental and consumer concerns.

58. The IPS offices in countries such as his own would benefit from larger premises and increased numbers of staff. On-the-job training also played an important role in ensuring the success of the IPS offices, and in that connection he drew attention to the facilities provided by the Governments of Switzerland and Japan for the placement of IPS personnel from Sri Lanka in the IPS offices in their countries. Such facilites could usefully be expanded.

59. There was also room for expansion in the programme of investment forums and country presentation tours, and for greater emphasis on the training of national personnel in such areas as negotiations, legal procedures, information, project profiles, property rights and the availability of hardware and software. Such training would enable national personnel to be more effective in selecting foreign business partners.

60. UNIDO had also organized workshops on matters relating to investment promotion, and he hoped that the Organization would continue its work in that area, with added momentum and on a more regular basis. Such workshops were of great benefit to officials and to private sector entrepreneurs.

61. His delegation appreciated the work carried out by the UNIDO Liaison Office in Geneva in providing information about UNIDO investment promotion activities. He hoped that the Geneva Liaison Office would be able to organize more briefing sessions on a regular basis for the benefit of representatives of missions who were unable to visit Vienna frequently.

62. In conclusion, he said that the IPS offices, whose staff were highly skilled, should be particularly sympathetic to the aspirations of the developing countries at a time when those countries were endeavouring to accelerate their adjustment to free market policies.

63. Mr. FAROOQI (Observer for Pakistan) said that the 26 per cent increase from 1989 to 1990 in the amount of industrial investment promoted by UNIDO represented a notable achievement in an area to which his country attached great importance.

64. Pakistan had much to offer the foreign investor in terms of industrial raw materials, competent and hardworking manpower at competitive wages and infrastructural facilities, in addition to the advantages conferred by deregulation and the modernization of exchange/payment procedures.

65. His Government was organizing an investment promotion conference, to be held from 18 to 20 November 1991, to attract foreign investment in the country. More than 300 investors would be

invited to discuss ways and means of promoting investment in Pakistan and the transfer of modern technology. His delegation requested UNIDO's assistance in organizing the conference.

66. His delegation appreciated UNIDO's efforts to establish focal points for those Member States not in a position to establish full-scale investment promotion services. Such focal points would act as the recipients of industrial development project proposals for consideration in the host country, and also as centres for gathering information on investment project promotion meetings and other relevant documentation. As a first step towards the possible establishment of an IPS office in Pakistan, UNIDO could designate the Planning Wing of the Pakistan Ministry of Industry as a focal point for foreign investment-related activities jointly undertaken by UNIDO and Pakistan.

67. Mr. SAENZ PICADO (Costa Rica) said that his Government appreciated the contribution made by the Republic of Korea to a pre-investment study for an industrial zone to be established in his country. It also welcomed the substantial increase in the technical cooperation and industrial investment promotion programme, as well as the growth in the number of investment projects actually completed.

68. Mr. RAHMAN (Sudan) said that environmental considerations should not be neglected in industrialization projects in the developing countries. Emphasis should also be placed on training, the consolidation of industrial structures, feasibility studies and the development of human resources.

69. His own country had embarked on a policy of economic liberalization aimed at encouraging investment in the private sector. The policy would, inter alia, allow foreign investors to transfer profits, and would eliminate price indexing. A UNIDO mission had already visited Sudan to assist in the restructuring effort.

70. With regard to investment flows, he said that he welcomed the observations made by the representative of France, and appealed to UNIDO to find the means to ensure that adequate financing was directed towards the developing countries.

71. Mr. HAEBERLI (Switzerland) said that, while the report on UNIDO's investment promotion activities provided a valuable analysis and correctly emphasized the need to concentrate on those aspects which yielded the best results, the Secretariat had too often been content merely to list activities without indicating with sufficient clarity the necessary priorities, which it was particularly important to determine in the light of UNIDO's financial and staff constraints.

72. At the same time, he shared the view that efforts should be focused on the Industrial Promotion Services, and on the delegates programme in particular, as the cornerstone of the investment promotion programme. For that reason, his Government had increased the number of delegates attached to the IPS office in Zurich and had extended the programme to include the eastern European countries. In Switzerland's case, it should be pointed out that technical assistance funds for the countries of eastern and central Europe were supplementary to official development assistance resources.

73. Although his delegation agreed with the recommendation that guidelines should be formulated for all the IPS offices in different countries, with the aim of ensuring that they had the same objectives, it did not believe that their activities and resources should be standardized. What was required was clear and quantifiable criteria which would make it possible to evaluate and compare their performance. The independence of the individual IPS offices was one reason for their effectiveness.

74. Ms. CONSTANTINO (Philippines) said that industrial investment promotion was an integrated activity of the Organization which cut across the various sectoral programmes and entailed contacts between Governments and the private sector in order to bring about concrete forms of investment and/or technical cooperation activities. However, because of its independent character, UNIDO was often obliged to withdraw at the implementation stage of a project, particularly in the case of projects involving enterprise-to-enterprise cooperation. It was thus sometimes difficult for Member States fully to appreciate the value of the various investment promotion activities being carried out by UNIDO, particularly if they were evaluated in terms of implementation.

75. Her delegation firmly supported the Organization's investment promotion activities, and especially the holding of investment forums and the delegates programme under the auspices of the Investment Promotion Service offices. With regard to the latter, it expressed appreciation to the Government of Japan for the training facilities provided by the Tokyo IPS office, which had enhanced the investment promotion skills of officials in the Asia-Pacific region and, more importantly, had served as a focal point for crystallizing actual investment projects.

76. With respect to the promotion and enhancement of regional cooperation, her delegation noted with appreciation the assistance extended by UNIDO in identifying and promoting projects for the ASEAN Industrial Joint Venture Scheme through the preparation of opportunity studies. UNIDO had been instrumental in confirming the viability of that form of cooperation, and her Government looked forward to continued cooperation with the Organization. In conclusion, she emphasized the advantages which would accrue to ASEAN from UNIDO assistance in implementing the two technical cooperation projects submitted to the Organization by the tripartite meeting held at Manila in August 1990 as soon as funds were available.

77. Mr. ASHRI (Saudi Arabia) said that the industrial investment promotion programme was a very important aspect of UNIDO's activities, and that it had already led, in particular, to the initiation of 32 projects in the electronics field, some of them in the Arabic-speaking countries. He hoped that the momentum of those activities would be not only maintained but increased, particularly at the regional level.

78. He wished also to point out that it was incorrect to refer to the sea area to the north-east of his country as "the Persian Gulf": its proper title was "the Arabian Gulf".

79. Mr. MAJID (Iraq), after congratulating the Secretariat on the quality of the documentation it had provided in connection with the item under consideration, said that he felt obliged to

clarify the situation regarding refugees, to which the representative of Iran had made reference earlier. While he did not object to what the Iranian representative had said, it should be pointed out that political reasons lay behind the fact that refugees had not been permitted to return to Iraq, although many had in fact done so. He supported what the previous speaker had said regarding the term "the Arabian Gulf".

80. Mr. Tofigh (Islamic Republic of Iran) resumed the Chair.

81. Mr. HOSSEIN ZADEH (Islamic Republic of Iran) said that a senior United Nations official had recently confirmed in writing that the term "the Persian Gulf" was to be used in United Nations documents. He added that the amount of compensation payable as a result of damage arising from the Gulf war and the Iran-Iraq conflict had now been determined.

82. Mr. PONCE CABALLERO (Observer for Bolivia) acknowledged the considerable significance of many of the technical cooperation projects undertaken by UNIDO in his country and the valuable role which the UNIDO Country Directors played in the technical assistance process. He commended UNIDO for its readiness to assist ecologically viable projects and expressed the hope that it would speed the implementation of programmes for small industries and non-traditional exports.

83. On the subject of industrial investment promotion, he said that Bolivia had begun the privatization of its public-sector industry and looked to private enterprise for progress in industrial development. His Government hoped that the letters of agreement for Bolivian projects which had been signed under UNIDO's investment promotion programme would soon yield beneficial results and that the programme would be a means whereby Bolivia could pursue the hard task of replacing its coca economy by a viable alternative.

84. Mr. ARAOZ (Deputy Director-General, Department for Industrial Promotion, Consultations and Technology) welcomed the support which delegations had expressed for the investment promotion programme and the report on the evaluation of UNIDO's industrial development activities (ODG.12(SPEC.)).

85. Replying to delegations which had raised particular points about the programme, he said that the recommendations in the evaluation report would be studied in the coming months with a view to their implementation. The Industrial Investment Division cooperated with the World Bank and with regional financial institutions whenever the need arose. The impact of UNIDO's investment promotion work was measured in terms of successfully concluded investment projects, as defined in paragraph 4 of the Director-General's progress report (IDB.8/18); it had to be remembered that a long period, perhaps years, elapsed between the conclusion of an investment agreement and its implementation.

86. The Secretariat had taken due note of the comment made about the proposal that UNIDO should charge companies for investment promotion services. It would follow up the suggestion that investment should be attracted for programmes designed to protect the environment. The Secretariat already placed emphasis on regional forms of investment promotion where Latin America and Africa were concerned. It would do the same for Central America and intended to extend such arrangements to the remainder of the developing world.

SPECIAL TRUST FUND PROJECTS (IDB.8/38; IDB.8/CRP.7)

87. Mr. WIESEBACH (Deputy Director-General, Department for Programme and Project Development) drew attention to the documents on the subject which had been submitted to the Board at its sixth session and to the General Conference at its third session (IDB.6/16, IDB.6/CRP.2, GC.3/CRP.2). Those documents described in detail how UNIDO had adapted the trust fund mechanism to meeting the needs of developing countries in the enterprise sector. The Director-General's present report on the subject (IDB.8/38) addressed all the points raised at the Board's sixth session in regard to the Organization's special trust fund projects and gave details of the guidelines for their appraisal, management and operation.

88. He assured the Board that trust fund projects were subject to stringent control of the kind exercised over private-sector projects financed by UNDP and through the Industrial Development Fund. Internally, all trust fund projects were subject to the same procedures as all other projects executed by UNIDO; in addition, they were vetted before approval for compliance with the legal, financial and other instruments governing the Organization's activities and for assurance that they had no chance of subjecting it to financial liability.

89. General Assembly resolution 45/196, on industrial development cooperation and the diversification and modernization of productive activities in developing countries, explicitly recognized the role of UNIDO's special trust fund schemes as alternatives to traditional assistance programmes. In response to the recommendations contained in that resolution, the Organization had been placing emphasis on the linkage of technical co-operation to industrial investment projects. The expectation was that, in continuing that policy, UNIDO would find itself providing project planning and management services to fairly large industrial investment projects. That corresponded to the logic of private-sector industrialization and the evolving needs of developing countries.

90. Mr. PLUG (Netherlands), speaking on behalf of the member States of the European Community, said that they recognized the value of special trust funds in providing access to additional sources of finance. The increasing use being made of them must not, however, take place to the detriment of UNIDO's regular technical assistance programmes. The activities financed through special trust funds must conform fully to the Organization's global strategy and fundamental objectives as well as to the priority aims of the medium-term plan. The Community delegations regretted that the Director-General's report (IDB.8/38) failed to provide detailed information on the use of the various trust funds.

91. He drew attention to the requests made to the Director-General in paragraphs (c) and (e) of Board decision IDB.6/Dec.10 on utilization of experts and equipment from developing countries and on the guidelines for the development, approval and monitoring of implementation of special trust fund projects. The Community

countries took note of those guidelines as set out in annex II to document IDB.8/38. They attached great importance to the in-depth evaluation of the trust fund system called for in Board decisions IDB.6/Dec.10 (paragraph 2 (f)), and IDB.6/Dec.14 and urged both donor and beneficiary countries to cooperate fully with the Secretariat in the evaluation process.

92. Mr. HAEBERLI (Switzerland) said that UNIDO was now using special trust funds to such an extent that the policy-making organs of the Organization needed not only to receive detailed information on the activities financed in that way but also to review and update the guidelines for pursuing them. Although the guidelines proposed to the Board in the Director-General's report (IDB.8/38, annex II) for transmission to the General Conference contained non-controversial sections on monitoring of implementation, reporting and evaluation, other parts of the text revealed dangerous omissions and defects which needed immediate rectification.

93. In the first place, it must be made absolutely clear that trust funds could not be used for any project designed to promote "strategic" industries, i.e. industries connected directly or indirectly with national defence. Sadly, his delegation had reason to believe that not all of UNIDO's special trust fund activities conformed, as the Secretariat claimed in paragraph 9 of the report, to the requirements of its Constitution and other established requirements. Secondly, many trust fund projects consisted in direct aid to an industrial undertaking. It must be made clear that UNIDO should not promote any such project which offered the beneficiary the advantages of tax evasion or any similar evasion of the law. All trust fund projects should therefore be subject to the same rigorous examination for compliance with the Financial Regulations of the Organization as other technical cooperation projects.

94. His delegation was therefore unable to approve the proposed guidelines as they stood. It could only accept them on condition that all special trust fund projects complied fully with UNIDO's purposes and objectives and concerned activities similar to those undertaken under the regular and ordinary budgets; and that they benefited from the same financial clarity in presentation and the same detailed information for member States as the latter activities - in other words, from a much fuller description in the Director-General's annual report than was the case at present.

95. Mr. MOHAMMED (Nigeria) expressed satisfaction at UNIDO's substantial programme of trust fund activities for his country. Its assistance in improving productivity and technical skills in the cement sector had been especially valuable. The Nigerian National Petroleum Corporation had recently concluded a trust fund agreement with UNIDO for assistance in establishing a plastics technology centre which would ensure satisfactory marketing of the products of the Port Harcourt petrochemicals complex and provide technical advice for the growth of the country's petrochemicals industry. Under another trust fund project, his Government had recently appointed UNIDO as procurement agent for the supply of training equipment for four zonal industrial development centres. The Organization continued to provide trust fund assistance to the Nigerian Industrial Development Bank and the New Nigeria Development Company for pre-investment and diagnostic studies.

96. UNIDO should play a more dynamic role in industrial development cooperation and its Members should make every effort to help it do so. The Organization could benefit developing countries by providing them with project planning and management services under trust fund arrangements. As a non-profit-making intermediary, it could help reduce business risks and raise the confidence of investors. For developing countries, UNIDO's special trust fund schemes were a vital alternative to traditional technical assistance programmes as a means of enhancing enterprise efficiency. Developing countries should fully utilize the advantages which those schemes offered and UNIDO should expand its activities in that area through the appropriate reallocation of resources in the Secretariat.

97. Mr. HOSSEIN ZADEH (Islamic Republic of Iran) said that documents IDB.8/38 and IDB.8/CRP.7, together with the documents submitted earlier to the General Conference, the Board and the Programme and Budget Committee, provided clear and comprehensive information on UNIDO's trust fund activities. The Organization's aim was to make itself more directly useful to industrialists and entrepreneurs in developing countries, and Member States should endeavour to help the UNIDO Secretariat to achieve that aim.

98. The concept of industrial cooperation at the enterprise level developed by UNIDO was also most welcome. The Organization was in a unique position to promote such cooperation and mutually beneficial industrial partnerships. The trust fund schemes could also be good vehicles for ECDC/TCDC activities and should be used for that purpose.

99. The rapid growth of trust fund activities over the last four years was proof of increasing confidence in UNIDO's services on the part of companies in developing countries, development finance institutions and donor agencies, and of the need for UNIDO to play a dynamic role in that area. Now that the Organization had provided full information on the programme, Member States should unhesitatingly support it and allow it to grow in response to demands for UNIDO services by the developing countries. Failure to do so at the current session of the Board would greatly jeopardize UNIDO's future as the major agency of the United Nations system responsible for industrial development of the developing countries. That danger was exacerbated by the uncertainties in the Organization's technical assistance programme as a result of changing UNDP policies regarding government execution and agency overheads.

100. His delegation recommended that the Director-General's report (IDB.8/38) should be accepted and that the guidelines for the development, approval and monitoring of implementation of special trust fund projects contained in annex II of the report should be submitted to the General Conference.

101. Mr. PONCE CABALLERO (Observer for Bolivia) expressed the hope that private-sector projects financed through special trust funds would result in the development of an effective alternative to the coca economy, to which he had referred earlier.

102. Mr. OSTERGAARD ANDERSEN (Denmark) said that his delegation subscribed fully to the statement made by the representative of the Netherlands. From previous discussions of the subject by the Board and from the statement made earlier in the

meeting by the Swiss representative, his delegation felt that some delegations of industrialized countries took a very unfavourable view of UNIDO's trust fund schemes, unlike the General Assembly in resolution 45/196. He could not understand that. A programme under which a large number of developing countries benefited annually from $40-50 million more technical assistance than they would have done without it was clearly a beneficial one. The statements made on the subject that morning by the representatives of Nigeria and the Islamic Republic of Iran confirmed that.

103. In the view of his Government, there was no competition between trust funds and the Industrial Development Fund: they were two instruments serving a single purpose in different ways. His Government, as a regular donor to both, could see the advantages of there being both possibilities for funding technical assistance projects.

104. Denmark's first trust fund agreement with UNIDO dated from 1988 and was aimed at direct support for industry in mainly low-income developing countries through short-term study missions. Since the fund in question was almost exhausted and had yielded favourable results, his Government had concluded a second trust fund agreement with UNIDO for the same purposes as the first. It had also concluded a third trust fund agreement, designed to finance pre-investment studies of a more extensive kind than the first agreement. His Government was ready to cooperate fully with UNIDO in an in-depth evaluation of the functioning of its trust funds.

105. Mr. CHEN Shigiu (China) said that his delegation had read the report of the Director-General (IDB.8/38) with great interest and was pleased to note that the past few years had witnessed rapid growth in UNIDO's special trust fund activities. Technical cooperation activities financed by those funds were accounting for a larger proportion of the Organization's operational activities. The activities of recent years had shown that the special trust fund schemes had become an important supplemental instrument with a special role to play in the areas of industrial rehabilitation, ECDC/TCDC and subregional cooperation for industrial development. As noted in United Nations General Assembly resolution 45/196, UNIDO's special trust fund schemes had contributed to providing alternatives to traditional assistance programmes. As those activities were focused on cooperation at the enterprise level, they would also contribute to a diversification and modernization of production activities in the developing world. The fact that the special trust fund activities were carried out by a very limited number of staff and with a tight budget was particularly commendable.

106. Beginning in 1992, UNDP would be introducing overall national execution into its indicative planning figure (IPF) projects and the successor arrangements for support costs. Consequently, one of UNIDO's most important sources of money for technical cooperation activities would no longer be secured, and it was likely that the Organization would depend increasingly on itself for fund-raising. The special trust fund schemes would take on added importance as a source of funding for UNIDO. Good performance in that area should be a strategic goal in the effort to strengthen the Organization's capacity.

107. His delegation was pleased to note the attention given to the special trust fund activities in the draft medium-term plan, and hoped that that would be reflected in the biennial programme and budget prepared by the Secretariat and that the units concerned would be given more staff and larger budgetary allocations.

108. The continued expansion of the special trust fund activities depended largely on efficiency in the management of the funds. UNIDO should continue to improve its managerial performance in that area and to upgrade the quality of its staff so as to minimize costs and overheads. Project identification and formulation should be improved to ensure that every project selected was in line with the priorities of the recipient country and would produce maximum output at the lowest cost. His delegation appealed to the donor countries to increase their contributions.

109. Mr. BRNELIC (Yugoslavia), after highlighting the relevance to the discussion of resolution 45/196 of the United Nations General Assembly, said that the focus on cooperation at the enterprise level which characterized the special trust fund scheme was the best way to modernize productive capacities in the developing countries.

110. Given the new UNDP/agencies arrangements and the need to strengthen cooperation at the enterprise level still further, his delegation would endorse, for submission to the General Conference, the proposed guidelines contained in document IDB.8/38.

111. Lastly, his delegation wished to plead in favour of a strengthening of the Secretariat units responsible for industrial cooperation and the mobilization of funds.

112. Mr. OBA (Japan) said that his country's contribution to special trust fund activities came from two sources - official development assistance (ODA) furnished by the Government and funds from the private sector. ODA, initiated in 1987, had produced pledges to a total value of $6.2 million: the major beneficiaries were the least developed countries in sub-Saharan Africa, with emphasis on women-related and grass-roots enterprises, but there was also support for environment programmes in Asia and Latin America, quality development in the motor vehicle industry in Eastern Europe and the Regional Cooperation Programme for Latin America and the Caribbean.

113. Although there might be room for improvement in the special trust fund arrangements, which were still something of a novelty in UNIDO's technical assistance delivery system, the Japanese Government was so far satisfied with the manner in which its contribution had been used to help burgeoning industries in many parts of the world, and would continue to cooperate under the scheme.

114. Mr. IONESCU (Observer for Romania) said that the documentation before the Board, including the encouraging figures presented in annex I of document IDB.8/38 and the information concerning the large number of projects prepared and implemented in recent years, demonstrated the utility of self-financed and third-party-financed trust funds as supplementary mechanisms for the provision of useful services to industrial enterprises and institutions in the developing countries.

115. Commending UNIDO on its full respect for United Nations procedures and rules for the development, approval and monitoring of the implementation of special trust fund projects, and on the manner in which those projects were conducted alongside more traditional forms of technical assistance, he stressed the significance of United Nations General Assembly resolution 45/196 and expressed the hope that progressive refinements would lead to the further development and strengthening of the special trust funds scheme for the benefit of the developing countries.

116. Mr. YOGASARA (Indonesia) commended the documentation before the Board, and noted that the item under consideration was closely related to item 9, on industrial development cooperation and diversification and modernization of productive activities in developing countries.

117. Trust fund contributions from Japan had been used in Indonesia to identify 12 projects for new investment, rehabilitation and industrial services. The scheme had proved particularly useful in establishing linkages between technical cooperation activities and investment projects; it was his delegation's hope that more trust fund activities would be generated in Indonesia, involving cooperation between public and private enterprises, with a view to promoting inward investment flow, as well as projects for technical and financial collaboration between Indonesian companies and companies in other developing countries.

118. Against the background of the provisions of United Nations General Assembly resolution 45/196, his delegation urged UNIDO to continue to seek to attract self-financed project funding and third-party-financed funding through special trust fund arrangements.

119. Mr. PAREDES PORTELLA (Peru) said that special trust funds were an important tool that UNIDO could use in its efforts to provide competitive services in its fields of competence. His delegation assessed those programmes and activities in a generally positive manner, although it believed that certain specific matters merited further attention; among them he would mention the possibility of fully utilizing the IPS offices for the acceleration of special trust fund activities, thus creating a closer relationship between two of the most dynamic components of the Organization's activities. Greater efforts should be made, in the spirit of United Nations General Assembly resolution 45/196, to develop trust fund schemes as alternatives to traditional multilateral technical assistance programmes, which had yielded rather modest returns. Within the limits of available resources, the Special Trust Fund Projects Section should be strengthened. His delegation endorsed the guidelines contained in annex II to document IDB.8/38, and asked the Secretariat to prepare a detailed report on the situation and latest developments in what was a very important domain of UNIDO's work.

120. Mr. ANGUIANO ROCH (Mexico) said that his country, which had joined in the consensus for the adoption of United Nations General Assembly resolution 45/196, acknowledged the contribution of the special trust fund scheme launched by UNIDO in developing alternatives to traditional assistance programmes. That being so, his delegation considered it important to have in-depth knowledge of the mechanisms of the special trust fund scheme, the functioning of which should be transparent. In decision IDB.6/Dec.10, the Board had not only called for updated and consolidated guidelines on the modalities for the appraisal, management and operation of special trust fund projects, but had also appealed to donor countries to cooperate in preparing in-depth evaluation reports on such projects. The guidelines contained in annex II to document IDB.8/38 were no more than a compendium of existing internal administrative guidelines and, as such, inadequate for the Board's purpose; an in-depth review of the projects by Member States themselves was essential.

121. The Mexican delegation, while in full agreement with those which had spoken on behalf of donor and beneficiary countries alike in appreciation of the programmes and activities financed by special trust funds, was unable to give its endorsement to a set of guidelines which were neither complete nor up to date. It considered that the Director-General, in accordance with decisions IDB.5/Dec.12 and IDB.6/Dec.14, should submit an in-depth evaluation report on special trust fund programmes and activities.

122. Mr. PROKHOROV (Union of Soviet Socialist Republics) confirmed his country's commitment to industrial cooperation and the mobilization of funds. It had itself already contributed to special trust fund projects in the USSR and was financing the UNIDO Centre for International Industrial Cooperation in Moscow. Plans were in hand for a substantial increase in the coming year in the USSR's support for the special trust fund scheme, which - as the attitude of many Member States had demonstrated - was deemed to constitute a dynamic area of UNIDO's activity, characterized by usefulness and effectiveness. His delegation consequently believed that steps should be taken to ensure that the Special Trust Fund Projects Section had at its disposal financial and human resources commensurate with the tasks assigned to it.

123. Mr. BOKONGA (Zaire) said he was convinced that many other delegations, and more particularly those from the developing countries, would agree with him that the special trust fund scheme, after four years' existence, had demonstrated itself to be a dynamic and promising programme. He expressed gratitude to those countries which had contributed to special trust fund projects, and hoped that the programme would expand further.

124. The detailed information presented to the Board showed that enterprises in the developing countries were increasingly resorting to special trust fund arrangements in their quest for high-level, independent expertise and well thought-out assistance which would open the way to new options. The Secretariat deserved full support in developing activities which offered a real alternative for the industries of the developing countries, faced as they were with increasingly complex problems related to the restructuring and privatization of their economies. Special trust fund arrangements had already done much to help them solve those problems; he believed that vast possibilities remained both unexplored and unexploited.

125. Mr. PUTHO (Observer for Thailand), expressed appreciation for the documentation before the Board. The trust fund schemes were highly

transparent, well within UNIDO's constitutional mandate and fully integrated into the Organization's policies and strategies as spelt out in the medium-term plan. While many agencies of the United Nations system talked about assisting private sector development but were so tangled up in their own bureaucratic procedures that they were almost useless to the developing country industrialist who owned a factory or wanted to build one, it was refreshing and encouraging to see that UNIDO had developed something constructive and innovative that would render the Organization more directly useful to industrialists and entrepreneurs in those countries. In Thailand, trust fund contributions from Japan had been profitably used to finance a study on the engineering, electronics and chemical industries, and Thailand would strongly encourage Member States to make full use of the scheme in widening their options for the selection of technical and financial partners and promoting industrial investment, the transfer of technology and expertise between developing countries and cooperation between industrialists and entrepreneurs in those countries for their mutual benefit. There were enormous possibilities in those directions if only they were recognized.

126. In conclusion, he urged all Member States which had initiated and supported United Nations General Assembly resolution 45/196 to give a strong mandate to UNIDO to enable it to respond to the recommendations which it contained.

127. Mr. KIM (Republic of Korea) commended the special trust fund scheme and its systematic pursuit of an "industry focus" whereby in-depth knowledge might be acquired concerning the resources and capabilities of companies, industrial associations and relevant non-governmental organizations.

128. In 1990, his Government, wishing to promote economic cooperation among developing countries, had assumed the sponsorship of a trust fund project, with seven separate components encompassing a variety of countries, regions and topics, to a total value of $300,000. Korean companies, as well as companies and promoters in developing countries would be involved in the transfer of technology and expertise; the financing arrangements would include joint ventures.

129. His delegation firmly believed that UNIDO's special trust fund projects could serve as effective instruments for the promotion of ECDC/TCDC, which enjoyed high priority in his Government's multilateral cooperation policies. UNIDO was to be commended on developing an innovative mechanism whereby concrete programmes and activities could be implemented, and all Member States should be urged to help in strengthening arrangements which could play a dynamic role in the acceleration of industrial development in the developing world.

130. Mr. WIESEBACH (Deputy Director-General, Department for Programme and Project Development), responding to the debate on item 13, said that programmes and activities financed by special trust funds constituted one of the most positive, dynamic and promising aspects of UNIDO's present work; the very high growth rate - which he hoped would be maintained - demonstrated a confidence in the Organization's capability and cost-effectiveness which had been voiced in no less a forum than the United Nations General Assembly; that manifestation contrasted oddly with the doubts that were sometimes expressed concerning the efficiency of the specialized agencies. Furthermore, the fact that Governments were making their own funds - often obtained at considerable cost to themselves - available to UNIDO demonstrated their faith in obtaining sound returns on their investments. UNIDO's operational budget would be in a very sorry state without the special trust fund scheme.

131. As the integration of trust fund activities into UNIDO's mandate was provided for under the medium-term plan, the misgivings expressed by a number of delegations during the present discussion concerning the contents of the programme were hard to understand; but the Secretariat would take those comments into account if the Board so decided. He would, however, warn members against the misconception that the problems of non-developmental use were peculiar to trust funds: in fact, any funds, irrespective of the types of programmes to which they were attached, could be subject to misuse, but the Secretariat was making every effort to ensure that that was not the case. In addition, all special trust fund projects were properly vetted by the Organization's legal and financial services to ensure that no undue obligations were incurred.

132. Mr. ANGUIANO ROCH (Mexico) agreed with the Director-General that confidence in special trust fund programmes and activities was amply demonstrated by the amount of financial investment they were attracting from a variety of important sources including the World Bank; he also acknowledged that provision had been made for the legal and financial regulation of the arrangements, concerning which guidelines had been prepared. That being said, however, he continued to believe that there was room for an improvement and broadening of supervisory measures related to the utilization of trust funds.

The meeting rose at 1.20 p.m.

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United Nations Industrial Development Organization

# Industrial Development Board

Eighth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 3 July 1991, at 3 p.m.

President: Mr. TOFIGH (Islamic Republic of Iran)

CONTENTS


| Agenda item | | Paragraphs |
|---|---|---|
| 16 | Evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world | 1 - 31 |
| 14 | System of Consultations | 32 - 63 |
| 18 | Computerization programme of UNIDO | 64 - 120 |


The meeting was called to order at 3.10 p.m.

EVALUATION OF THE OBJECTIVES AND FUNCTIONS OF UNIDO IN VIEW OF RECENT CHANGES AND DEVELOPMENTS IN THE WORLD (IDB.8/33 and 40)

1. Mr. BORDVIKOV (Observer for the Byelorussian Soviet Socialist Republic) said that his delegation fully endorsed the decision by the Board that UNIDO's cooperation in modernizing industry in the Eastern European countries should not be to the detriment of its objectives with regard to the industrialization of developing countries. However, the political and economic changes in Eastern Europe had generated some very complex issues, particularly in respect of industrial restructuring. The countries in question were suffering political difficulties and their consumer market situation was becoming steadily worse.

2. In his own country, the crisis conditions were aggravated by the consequences of the Chernobyl nuclear accident. Enormous financial resources had been switched from industrial restructuring to alleviate the consequences of the accident and the Republic would have to find 100 billion roubles. His Government was unable to cope alone and he referred to resolution 45/190 of the United Nations General Assembly calling for international cooperation to mitigate the consequences of the accident. He welcomed the Director-General's statement that UNIDO would do its part to comply with that resolution and expressed his Government's appreciation of the UNIDO mission to the Chernobyl-affected area. He hoped that UNIDO would play a role in coordinating the special contributions to be pledged at the Chernobyl programme conference in New York in September 1991.

3. Byelorussia set great store by UNIDO in the field of technical and consultative experience, because the Organization was in the best position to offer practical assistance in industrial rehabilitation, surveys and conversion. In the existing complex situation, Byelorussia could be equated with the UNIDO service using countries for a 10-15 year rehabilitation period. The Republic needed help in running individual subprogrammes, assessing the economy and implementing a long-term ecology programme. In making that appeal, however, his Government did not wish to pre-empt resources to deal with its national problems to the detriment of other Member States.

4. Mr. AL-MOUNAJED (Syrian Arab Republic) said that recent world developments had had an influence on the developing countries, most of which had decided to embrace the market economy. There was an ever-widening gap in per capita GNP

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between the developed and the developing world and similar gaps in productivity and industrial growth. UNIDO should strive to bridge the gap by the transfer of technology from the North to the South, with special reference to small and medium-sized industries. Although the environment was very important in the developing world, it should not be used as a pretext to discourage the transfer of technology. Much could also be achieved through human resources development, increased training and the use of local experts to implement modern technology.

5. His delegation thought that the establishment of an international centre for science and high technology was an excellent idea, which should help to end the "brain drain" phenomenon. The Centre should coordinate its activities with others in the developing world.

6. The population growth rate in the South far outstripped that in the North and efforts should be made to promote small and medium-sized industries, above all those which utilized local resources. In that connection, he mentioned an act that had been passed in his country to encourage private-sector investment by means of incentives such as tax abatement and funds repatriation for both local and foreign investors.

7. UNIDO should continue its assistance to the Palestinian people, with due regard for developments in the region.

8. Mr. MBOUP (Senegal) said that the objectives and functions of UNIDO were clearly set out in its Constitution, namely, that developing countries were the priority beneficiaries of UNIDO's industrial development assistance. It was the duty of the Board to ensure that the Organization's activities remained within the framework of the Constitution. It was thus proper for the Board, when considering the many requests made to UNIDO, including the requests for assistance from the Eastern European countries, to state that such assistance should not be to the detriment of the developing countries. UNIDO should thus ensure that neither the low level of industrialization nor the high level of indebtedness of the third world countries should result in any reduction in the flow of funds towards them. It was also the duty of the Board to examine the financial, material, human and institutional resources needed to accomplish UNIDO's objectives.

9. As far as finance was concerned, there were still cash-flow problems, due to the non-payment of assessed contributions, which were severely hampering UNIDO's programmes, including those in developing countries. Against that background, his delegation hoped that the developing countries realized that they gained far more from UNIDO than they had to contribute to it and that the developed countries accepted that support for the industrialization of the South was both a moral imperative and an economic necessity. In the circumstances, his delegation favoured the use of the balance from the 1986/87 financial year to improve the cash-flow position.

10. His delegation thought it advisable to diversify the means of financing UNIDO's activities, because excessive dependence on a single funding source generated budgetary instability. He referred, in that connection, to the new arrangements with UNDP regarding the reimbursement of support costs.

11. The increase in special-purpose funding should therefore be encouraged, but with two reservations: firstly, as already stated by the Board, such funds should be earmarked for the implementation in developing countries of project properly integrated into UNIDO's technical cooperation programme and, secondly, the multilateral nature of the Organization should not be forgotten or its Members' obligation to make their contributions to the regular budget in full, irrespective of their payments to the operational budget.

12. It was also essential that the zero-growth rule should be reviewed. Even if it were fully paid up, UNIDO's regular budget would be unable to cover the developing countries' needs. The accumulation of arrears in payment of contributions should in no way justify the retention of zero growth.

13. His delegation urged the donors to sustain the growth in the Industrial Development Fund, above all in order to allow the Secretariat greater programming freedom, which would be achieved by strengthening the proportion of convertible currency contributions. Recent economic changes in the Eastern European countries presaged such a trend, together with a reduction in non-convertible contributions.

14. As far as material resources were concerned, the purchase of an electronic data-processing system was a useful investment inasmuch as it helped to modernize UNIDO. It was unfortunate that the resultant financial commitments had placed a greater burden on very meagre financial resources. His delegation hoped that a solution could be found whereby the equipment could be retained while making all possible reductions in costs.

15. As far as institutional resources were concerned, his delegation had been very interested in the revised restructuring plan. It would be useful if the organization chart could be supplemented with details of the improvements expected from the proposed changes.

16. He reminded the Board that Dakar was soon to host the tenth session of the Conference of African Ministers of Industry. His Government, mindful of the importance of that meeting, would spare no effort to make it a success and counted on UNIDO's support.

17. Mr. CHEN Shiqiu (China) said that the world was changing rapidly, as was the external environment of UNIDO. If an organization concerned with industrial development could not keep abreast of external changes, the consequences could be serious. The Member States and the Secretariat had thus to examine the new challenges faced by UNIDO and work out strategies.

18. His delegation, which had made a close study of the reports in documents IDB.8/33 and IDB.8/44, had some preliminary comments on the current agenda item. The changes in the world political situation had had a profound impact on the world economy but the developing countries had derived little benefit therefrom, mainly because of the irrational world economic order which handicapped their development. The last decade had been a lost decade for those countries.

19. Unfavourable factors, such as falling commodity prices, deteriorating terms of trade for

primary product exporters, increasing protectionist measures and large external debt, had jeopardized the developing countries' industrialization prospects.

20. According to UNIDO's estimates, the developing countries' share of the world manufacturing value added product had increased to 13.8 per cent in 1990, a figure only 2.2 per cent higher than in 1975, indicating that it would be very hard indeed to achieve the 25 per cent target by the year 2000.

21. The prospects for developing countries in the new decade were not bright. Many were still affected by unfavourable trading terms, natural disasters and large external debts, among other things. While a developing country had to rely mainly on its own efforts it also needed external assistance.

22. UNIDO's mandate and objectives, as set out in the Constitution, should not be changed, because the developing countries needed increasing help in the changing global situation. UNIDO should strive to fulfil its mandate and to achieve its objectives by readjusting its strategies, restructuring its organization and improving its existing methods.

23. There had also been changes in United Nations assistance patterns, in which connection he referred to the two new policies being implemented by UNDP. Those policies would inevitably have an impact on UNIDO, which also had to compete with bilateral assistance institutions, private agencies and non-governmental organizations outside the United Nations development system.

24. UNIDO's long-term future lay in the diversification of its quality services and its reasonable charges for such services. The wide choice of services, the principle of neutrality and the non-profit nature of its services were UNIDO's advantages over other technical service and consultancy agencies.

25. His delegation agreed with the comments by the Director-General in document IDB.8/33 regarding the growth of special trust fund activities. It hoped that the Director-General would continue to adhere to paragraph (i) of decision IDB.6/Dec.23 when accepting voluntary contributions and that donors would not attach conditions that were incompatible with the objectives, policies and practices of UNIDO as a multilateral agency.

26. Mr. KHERBI (Algeria) said he wished to reiterate the views expressed by the Group of 77 at the sixth session of the Board. It was politically unacceptable and morally indecent to question in any way the position of a country that had suffered and continued to suffer from the negative repercussions of an adverse international economic situation. Changes on the world scene, whether economic or diplomatic, should not be to the detriment of the developing countries. The situation was already very tense, with the risk of an ideological confrontation between the North and the South.

27. The World Bank estimate for 1990 indicated a reverse transfer of resources from developing to developed countries of $50 billion. Such a situation was unacceptable in an international community, where respect for others should prevail.

28. Within the Organization, there was a tendency to reduce basic resources and increase special trust funds. It was wrong to put such pressure on scarce resources earmarked for small projects which could have considerable impact in the developing countries. In an agency like UNIDO, resources should not be spread more thinly merely to respond to external changes.

29. Greater attention should be paid to the situation of the developing countries and particularly that of the least developed countries. UNIDO should improve not only the volume but also the quality of its projects in those countries.

30. Ms. BYANYIMA (Uganda) said that, in Africa, there had been a decline in direct foreign investment, with private companies turning towards Eastern Europe. Moreover, development assistance from the North was being divided between the developing countries and the Eastern European countries. UNIDO was currently receiving more requests for cooperation activities in the industrial sectors of Eastern Europe.

31. UNIDO had, as set out in its Constitution, a very clear mandate to promote the industrialization of the developing countries, a mandate from which it should not diverge. It must resist the temptation to become a channel for investments in newer and more exciting markets.

32. The PRESIDENT said that the Board had concluded its discussion of agenda item 16.

SYSTEM OF CONSULTATIONS (IDB.8/21 and 22)

33. Mr. ARAOZ (Deputy Director-General, Department for Industrial Promotion, Consultations and Technology) said that the System of Consultations had maintained its level of delivery and improved the quality and quantity of its output, despite a substantial reduction in its budgetary allocation; it continued to hold six Consultations every biennium, in addition to preparatory and follow-up meetings.

34. The use of consultants had been considerably curtailed, greater reliance being placed on the programme's own staff resources for the production of studies, reports, issue papers and other inputs.

35. The programme of Consultations for the biennium 1992-1993 would consist of six Consultations, including three regional Consultations - one in Africa on animal feed, one in Asia and the Pacific on the industrial utilization of medicinal plants, and one in Latin America and the Caribbean on restructuring the capital goods industry. Consultations on the downstream petrochemical and the construction industries would be held at a global level, while the sixth Consultation of the biennium would be the regional Consultation on the petrochemical industry in the Arab countries, postponed from the 1990-1991 biennium because of the situation in the Gulf. In view of the limited human and financial resources available, the consultation meeting on consulting engineering services had been postponed to 1994-1995, but the postponement would have no budgetary implications.

36. A number of measures had been adopted to improve the efficiency of the System of Consultations and to make it more responsive to

the real and direct needs of the developing countries, more conducive to regional cooperation and more action-oriented. They were also aimed at effectively integrating the System into UNIDO's overall activities and programmes, at improving in-house cooperation and integration, and at enhancing cooperation with other United Nations agencies and organizations and with non-governmental organizations, governmental organizations and large national corporations; a number of proposed measures were designed to reduce costs and make better use of staff resources.

37. Mr. MOHAMMED (Nigeria) said he welcomed the fact that UNIDO had begun to implement some of the recommendations of the regional Consultation on industrial rehabilitation/restructuring with special focus on the food-processing industry in Africa. In his own country, a number of formerly governmental or quasi-governmental enterprises were being privatized with a view to making them more profit-oriented. In that connection, his country would continue to need UNIDO assistance in developing appropriate technologies that were suitable for local needs and in mobilizing the funds to acquire the necessary machinery and equipment.

38. The regional Consultation on animal feed and related industries in Africa, to be held during the 1992-1993 biennium, was of immense interest to his delegation, which welcomed any assistance from UNIDO that would enable the countries of Africa to attain self-sufficiency in food production. Many African countries suffered from overgrazing, desertification, erosion and, consequently, malnutrition, compounded by drought and sporadic flooding. Since agriculture was the mainstay of the economies of most African countries and the source of inputs for industry, it was essential that there should be closer links between the agricultural and industrial sectors.

39. Several African countries were dependent on food aid and food imports. There was an increasing demand in Africa for meat products, especially poultry, but production was limited by an inadequate supply of animal feed, though Africa was a net exporter of ingredients for compound feeds. UNIDO should place special emphasis on the utilization of traditional agricultural ingredients for the local manufacture of compound feeds.

40. His delegation welcomed UNIDO's determination to mobilize national and international efforts to maximize the utilization of existing facilities and available agricultural inputs for the production in Africa of sufficient food for local consumption and, ultimately, a surplus for export. It urged the Organization to continue its efforts to develop, transfer and adapt technology to the agro-industrial subsector of the countries of Africa in order to promote the development of small and medium-sized industries in the region.

41. His delegation supported the proposed measures to improve the efficiency of the System of Consultations set forth in document ID8.8/22.

42. Mr. PLUG (Netherlands), speaking on behalf of States members of the European Community, said that it would be inopportune to hold the regional Consultation on the petrochemical industry in the Arab countries, postponed from the 1990-1991 biennium because of the situation in the Gulf, in 1992, because the European Community was organizing a similar meeting at the same time. The Community welcomed the measures proposed to improve the integration of activities of Consultations into technical cooperation programmes and projects, to augment the role of Advisory Committees in fostering in-house cooperation, and to expand and intensify cooperation and contacts with United Nations agencies, international, intergovernmental and non-governmental organizations, national corporations, professional associations and universities. It sought clarification, however, concerning the measures proposed to increase the number and enhance the role of panels covering specific sectors.

43. The regional or subregional character of the Consultations should be respected in order that they might achieve the best possible results but, while the success of recent regional Consultations was most gratifying, the delegations he was representing were not in favour of the organization of national consultations, which would encroach upon UNIDO's technical cooperation activities. They noted with satisfaction the recommended economy measures, provided that they were not to the detriment of the working languages.

44. The success of the Consultations continued to depend on their technical nature, the extent to which they aroused the interest of industrialists, and the follow-up to the recommendations they made. In the case, for example, of the Consultation on the restructuring of the capital goods industry in Latin America and the Caribbean, the result had been that the Organization had developed and proposed an important project.

45. Mr. PROKHOROV (Union of Soviet Socialist Republics) said he welcomed UNIDO's Consultations work, particularly with regard to the development of human resources, small and medium-sized enterprises and industrial rehabilitation and reconstruction. The System of Consultations could be made more effective if a group of consultants were to undertake a technical and economic analysis of the results and consequences of the Consultation meetings that had already been held.

46. His delegation supported the Director-General's proposals, especially with regard to the coordination of the System with the technical cooperation programmes, augmenting the role of Advisory Committees, and cooperation with United Nations agencies and non-governmental organizations. It could see no sense, however, in the proposal to reduce the number of working groups to one and to reduce the number of working languages, since the apparent savings did not justify the radical curtailment of the topics discussed.

47. His delegation proposed that UNIDO should consider the possibility of including in the System of Consultations measures of an intersectoral nature aimed at creating and developing market structures and market relations in economies and industries, with particular reference to the implementation of privatization, the establishment of free economic zones, cooperatives, joint ventures, technology transfer centres, an economic mechanism to stimulate investment, commercial banks, insurance companies, etc. A series of regional and subregional meetings could be held to discuss such topics.

48. It also proposed, with reference to paragraph 35 of document IDB.8/39, that a series of meetings be held, within the framework of the System of Consultations, to consider the entire range of questions linked with the economic and industrial changes taking place in the countries of Eastern Europe, with the objective of drawing up recommendations and possibly UNIDO programmes for those countries to help them develop market structures. Such meetings, in which interested developing countries would participate, would also broaden cooperation between the Eastern European countries and the developing countries. Similar meetings could be held in other regions.

49. Mr. SCHAAD (Germany), having endorsed the views expressed by the representative of the Netherlands on behalf of the European Community, said that, while continuing to regard the System of Consultations as an appropriate forum for exchanging information among business partners from developing and developed countries and as helpful in creating an industrial infrastructure in the developing countries based on competition, his delegation thought it essential that the programme be reformed.

50. The main responsibility for the Consultations should lie with the industrial experts, since they were the only people with the necessary expertise and decision-making competence to help the developing countries in their efforts to industrialize. One of the priorities of the organizers of the Consultations for the next biennium should be to secure a rapid increase in the number of participating experts from industry.

51. In fact, his Government suggested that every Consultation, whether global or regional, should be combined with an investment promotion meeting as a forum for entrepreneurs from developing countries, who were seeking business partners or experience from industry, to present their industrial projects, and at which information could be given on pilot projects that had turned out to be successes or failures.

52. The number of Consultations covering a large variety of themes should be reduced, in favour of special branch-oriented Consultations which would work out concrete proposals on how industrialization projects could be implemented in practice. Country and/or regional working groups should be set up within the framework of the Consultations with a view to meeting more effectively the needs that were occasioned by the various branch-specific development problems; the value of such working groups had been demonstrated on the occasion of the second Consultation on the wood and wood products industry, held at Vienna in January 1991.

53. There should also be follow-up expert meetings which would enable specific technological and economic issues to be treated more satisfactorily than was the case with follow-up Consultations. Lastly, regional Consultations should be linked to specialized industrial fairs.

54. His Government believed that the System of Consultations, while being an appropriate instrument for enhancing industrialization in the developing countries, should be more project- and need-oriented. In an era in which market principles were becoming more widespread, Consultations free of the ideological burdens of the past could become a constructive forum for exchanging ideas and experience.

55. Ms. CONSTANTINO (Philippines) said that, with an increase in the developing countries' share of world industrial output to 25 per cent by the year 2000 still a remote possibility, the System of Consultations was more important than ever and should be given priority attention. Identification of the units within the Organization that would be undertaking follow-up measures to the programme of Consultations was an essential element of the plan. That would not only provide a clear delineation of responsibilities but also reflect the shift in UNIDO's sectoral thrust and promote the integration of the System of Consultations into the other activities of the Organization.

56. Appropriate measures should be adopted to ensure that the follow-up action for which they were responsible was duly taken into account by the units concerned in their respective programmes and accommodated in their resources and financial mobilization activities. The System of Consultations Division should also accommodate within its own resources those follow-up measures that were within its field of expertise.

57. Mr. CONSTENLA (Costa Rica) said that the second Consultation on the wood and wood products industry, held at Vienna in January 1991, had been of considerable relevance to his country, particularly in respect of housing construction and furniture-making. The success of the System of Consultations had been such that it should be extended to many other activities, as recommended by the Secretariat.

58. Mr. RAHMAN (Sudan), emphasizing the importance of the Consultations that had been held and the System of Consultations as a whole, said he hoped that they would be more than merely academic exercises; they should be geared to finding practical solutions to practical problems. He welcomed the programme of Consultations proposed by the Director-General for the biennium 1992-1993, and hoped, in particular, that the regional Consultation on the petrochemical industry in the Arab countries would be held at an early date. It was also of great importance that companies should be included in the Consultation process.

59. Mr. ARAOZ (Deputy Director-General, Department for Industrial Promotion, Consultations and Technology) said that he had taken note of the many useful suggestions made and particularly the concern that had been expressed with regard to follow-up activities. UNIDO was paying particular attention to that aspect, and had set up working groups in which different units of the Organization were taking an active part.

60. Replying to the representative of the Netherlands, he said that the working groups or panels would be along the lines of those that already existed for the leather and allied industries; they would be set up as and when funding became available. There was already a specific recommendation that a panel be set up for the aluminium industry in Latin America, but funds were needed. The concept of national consultations was a procedure for following up recommendations at the national level in the case of countries which had made a particular request.

61. He shared the view expressed by the representative of Germany concerning the

participation of industrialists in the Consultations. The Organization was doing its utmost to increase their number, with particular emphasis on industrialists from the private sector. The idea of combining Consultation meetings with investment promotion was a very interesting one, and the Secretariat would consider it and assess its feasibility. It would also study the suggestions regarding country and/or regional working groups and follow-up expert meetings, but there would be a funding problem.

62. As for the request for a greater specificity of Consultation themes, the Organization had been making great efforts to ensure that Consultations were more focused. In that connection, he cited the regional Consultations on animal feed and related industries in Africa, on industrial utilization of medicinal plants in Asia and the Pacific, on machine tools in Latin America and the Caribbean and on phosphate fertilizers in Africa.

63. The proposal by the representative of the USSR that a group of experts be set up to analyse the results and consequences of past Consultations was an excellent one but there had, in fact, been an evaluation exercise in which the matter had been considered.

COMPUTERIZATION PROGRAMME OF UNIDO (IDB.8/3, 5, 6, 12, 19 (para. 37), and 48)

64. The PRESIDENT said that the Board should consider the recommendations of the Programme and Budget Committee in its conclusion 1991/13, with particular reference to paragraph (c), as well as the various documents before it.

65. Mr. WARNER (Deputy Director-General, Department of Administration) said that, having reviewed the proceedings of the Board's seventh session, he was able to share many of its observations and had developed a perspective of its concerns. The introduction of a major computer system was a complex undertaking, with a distinct probability of error. Similar problems had been encountered by many organizations, both private and public.

66. It was necessary to find a reasonable solution to the problem. The Secretariat, with the support of the Consultant, had presented a sound and cost-effective recovery programme in document IDB.8/8/Rev.1/Add.1. Other options had been considered and rejected.

67. A different view had been expressed by four members of the Working Group of Independent Experts through their statement as members of the Project Liaison Committee, and through a letter to the President of the Board. The Consultant had responded by letter to the President of the Board on the technical issues raised in those statements. A further Project Liaison Committee meeting had been scheduled for 31 July 1991 to resolve the divergence of views. The Committee would submit its observations on the report of the Consultant well in advance of the resumed session of the PBC on 23 August 1991.

68. The experts had presented three options. Option one, according to them, was the most conservative and the most expensive. By conservative was apparently meant the avoidance of unnecessary risk in the recovery programme. Options two and three both called for new capital and involved some degree of risk. In the Secretariat's view, new calls for capital should be avoided in any option and, in fact, the avoidance of risk reduced the likelihood of added capital requirements. Indeed, in their oral presentation and in their letter of 27 June 1991, the experts basically accepted option one as the primary path to recovery.

69. The Secretariat fully concurred with the view of the independent experts, the External Auditor and the Consultant on the condition of the software portfolio, which was vulnerable, costly to maintain and in need of substantial rebuilding. It would be easier to develop new applications in option one. He emphasized that the software portfolio must be renewed with the utmost care, and on a secure basis, to avoid unforeseen costs.

70. Option two, by halving capacity, presented high risks in terms of the software portfolio. Option three had the highest capital implications. According to the experts, there was a high risk that key systems could collapse for several months.

71. Other points raised in connection with option three included: the exclusion of contractual obligations to IBM, which the External Auditors believed to be binding; lack of appropriate technical experience, remedying which would involve high training costs; the need for costly parallel operations for many years; and severe transition problems for the software portfolio.

72. The $4.7 million in paragraph 3.3 would have to be added to the base estimate of $15 million, but that did not include the substantial indirect costs of the period of the "key systems collapse". The cash-flow implications noted in that paragraph as new investment would be required at the beginning of such a programme, i.e. they would constitute a major added cost in the 1992-1993 budget.

73. UNIDO simply could not afford the costs of option three, or the effects of the breakdown of operations. Similar types of architecture had been reviewed by the United Nations, and conclusions reached similar to those of the experts. Although it might have been a viable option three years previously, the overwhelming risks and costs associated with option three ruled it out of consideration.

74. Details of EDP-related expenditures for the current year, together with ongoing contracts and purchases, were contained in documents IDB.8/48, PBC.7/2 and IDB.8/CRP.8.

75. On an exceptional basis, and with the cooperation of the Consultant, the Director-General had made available an excerpt from the contract with the Consultant containing the terms of reference for the work to be performed. That was definitely not to create a precedent. In informal discussions, the External Auditor had noted firmly that, while that exception could be viewed as being in the interests of further clarification, there was a clear need to avoid any duplication of, or interference with, his functions and responsibilities.

76. Finally, he expressed his appreciation for the good counsel of the External Auditor and his

thanks to the many Member States which had made perceptive and constructive comments aimed at reaching a sound and effective solution.

77. After a procedural discussion in which Mr. MANSINGH (India), Mr. ARIAS SALGADO (Spain), Mr. TALIANI (Italy), Mr. ANGUIANO ROCH (Mexico), Mr. TREMEAU (France) Mr. GUTIERREZ LEYTON (Chile) and Mr. NEUMANN (Legal Adviser) took part, the PRESIDENT suggested that the Board should proceed with its discussion of the agenda item.

78. It was so decided.

79. Mr. GUTIERREZ LEYTON (Chile) said he was concerned that the Board was losing sight of the legal aspect, by which he meant the particular features of public international law governing the activities of international institutions such as UNIDO. It had been established that the contracts could have been judged null and void, in that they had been concluded without a specific mandate or, at any rate, in excess of earlier mandates. In a spirit of flexibility and cooperation, however, his delegation had accepted the alternative of renegotiating the contracts, on the assumption that that would be done on a reasonable basis.

80. Firstly, he was concerned that considerable time had elapsed without a solution being found, while the problem seemed to be becoming increasingly complex. Secondly, the delegations had not received the necessary facilities to enable them to reach a considered opinion. Consultants and experts had been permitted to have copies of the contracts but not delegations. That seemed to mean that the representatives of sovereign States were being told to pay up under contracts on which they had not been consulted and, when they asked about the commitments entered into, were told it was none of their business.

81. He was particularly disturbed that there seemed to be an attempt to force through a ratification of what had been done in the past, thus endangering the consensual basis of the Board's work.

82. Mr. ANGUIANO ROCH (Mexico), speaking on behalf of the Latin American and Caribbean Group of Countries (GRULAC), recalled that at the sixth session of the Board there had been increasing evidence and recognition of irregularities in UNIDO's computerization programme. Faced with a fait accompli by the Secretariat, the Member States had agreed to commission reports from the External Auditor and a group of independent experts on the technical, financial and legal aspects of the acquisition of a computer without the authorization of the governing bodies of the Organization.

83. It was necessary to examine the extent of the problem as a whole. The External Auditor said in his report (IDB.8/3, para. 40) that the contracts and agreements were legally binding. That was presumably because there was agreement of intent, subject and price, but that did not mean that they were legally valid if the Secretariat had had no mandate to acquire the equipment or commit the Organization financially. The External Auditor described the course of action as "questionable" (para. 84), since it did not comply with the information or budgetary approval requirements stipulated in the Financial Regulations (para. 86).

84. The evidence of authorization provided to date was not enough to justify the acquisition of the computer. Even if such an authorization were subsequently given to the Secretariat, it would not be retroactive in effect. The contracts would remain void. The Secretariat would have to renegotiate them or enter into new ones.

85. As indicated by the independent experts in their report (IDB.8/6, paras. 16-20), there were various provisions for amendment or termination of contracts without penalty. It was not legally satisfactory to suggest, as the Secretariat had done, that renegotiation would have to be on the basis of agreed equipment and services, and that it would be more costly to change equipment or services. That could be established only through the negotiations themselves.

86. The time had come to consider what basic damage would be done to UNIDO's administration and technical cooperation programme in the absence of a computer which exceeded the real needs of the Organization and which it could not afford. To suggest that, if the additional costs of the computer were not approved, UNIDO would have to revert to manual data processing was ridiculous. It was not a convincing argument either that, if the EDP programme were not continued, there would be a partial suspension of technical cooperation, when the Secretariat had hardly begun developing its data-processing. No one denied that UNIDO had acquired a system much larger than it needed. There was thus no reason why it should not be reduced in size to comply with the needs, real utilization capacity and available financial resources of the Organization.

87. Mr. BOGNER (Austria) said it was inevitable that a bad mistake should occur now and then in the life of any organization, and there was no reason why UNIDO should be an exception. Its serious cash-flow problems had contributed to the fact that, in the process of adopting an independent EDP programme, maximum care involving considerable expenditure on surveys of needs and capacities had not been taken.

88. The Board should accept the Director-General's public acknowledgement that the Organization had made some serious mistakes and his promise that those mistakes would not be repeated, and should try to make the best of the situation. The course of action adopted since the middle of 1990 had been the only reasonable one, and his delegation welcomed the statement of the independent experts that option one in the Consultant's report represented a solution they could endorse; in the opinion of his delegation, options two and three were not viable alternatives.

89. Mr. BELLO (Philippines) said that the Consultant had unfortunately not presented a programme that would lead to substantial savings in the electronic data-processing (EDP) programme. A revised programme had been presented, and costs had been estimated at $US 43.64 million. The estimate had provided for unforeseen items of expenditure and inflation. During the briefing by the Consultant on 18 June 1991, the delegation of the United Kingdom had elicited the reply that the estimate was not new money, but included approximately $US 19.5 million considered as "sunk cost". It should be noted that the mainframe, if sold, would fetch a price of no more than $US 600,000.

90. While his delegation would have preferred and adequate but less expensive programme, the Consultant considered that that was no longer

possible, that the cost estimates were the minimum required to sustain a viable EDP programme and that further reductions would have a disproportionate impact on the benefits obtained.

91. The independent experts had speculated that, given the necessary time, they would be able to determine whether the Consultant's approach was the most appropriate for UNIDO or whether one of the other alternatives they had proposed, namely, downgrading the mainframe or abandoning IBM altogether, was preferable. The Working Group believed that a saving of $5 million could be realized. His delegation shared the doubts of many other delegations on the advisability of looking for savings of $5 million based on pure speculation. Furthermore, those speculations did not take into account the costs of parallel operations until the downsizing could be fully implemented or the expenses of hiring additional staff. The group had never fully addressed the issue of cost-effectiveness.

92. His delegation was prepared to join a consensus on reviewing UNIDO as an organization, including its viability. That would spare the pain of a seemingly irreconcilable conflict and avoid animosities.

93. Mr. KAMEL (Turkey) said that the Consultant's draft final report pointed to the lack of an overall information system strategy and of communication between departments on data-sharing. As a result, in order to obtain the same information, parallel work was carried out by different departments at various stages of projects. That situation had led to a duplication of work and a waste of money and manpower. Clearly, the Organization needed some central repository where data could be made accessible to all. That could be under the existing model or any other alternative system.

94. The report took the existing system as a base and tried to improve upon it by reducing costs and enhancing efficiency. His delegation was not convinced, however, that the best choice was being offered. In spite of the genuine efforts made by the Consultant, the cost of the modified EDP programme still represented an increase of 13 per cent over previous years. Taking into account the observations of the experts, his delegation believed that there might be yet other equally efficient but less expensive options. As the Organization was already facing a difficult financial situation, it was worth exploring the alternatives. The independent experts should be asked to look into the matter again and, to that end, the Board should renew their mandate.

95. Mr. ENDO (Japan) said that his delegation had carefully studied the EDP problem since it first became apparent but, even after its own investigation and that of the independent experts, the questions were still not satisfactorily answered.

96. The report of the independent experts had pointed out two main problems with UNIDO's EDP programme, namely: "too much capacity in present mainframe" and "office automation maintenance may be too expensive" (IDB.8/6, para. 6). That had been the substantive outcome of the review by the experts and, since the Consultant had been hired to resolve those issues, the absence of cost reduction options was disappointing.

97. The Consultant's draft final report proposed that there should be no substantial change to the hardware already in place and that some savings could be realized by reducing software, but that such savings must be reinvested. Those proposals seemed to be based on faits accomplis and to have overestimated UNIDO's ability to transform itself into the operator of a super-computer.

98. The Consultant's report showed a clear departure from the central conclusions and suggestions of the independent experts. Moreover, the data which the expert group had suggested was needed for a considered decision were missing from the report, as was the most significant information and cost analyses of other options.

99. The Consultant had dismissed the idea of changing the system as "prohibitively expensive", but his delegation was unconvinced by that logic. It wished to see clear and detailed facts, particularly about downsizing.

100. The Secretariat and the Consultant had agreed that the time for changing the system had passed, but his delegation felt that figures ought to be produced to determine the exact cost and any savings through downsizing, an increasingly popular practice worldwide.

101. Mr. SPROW (United States of America) said that the recommendations contained in the Consultant's draft final report were solid and credible and represented the best basis on which to address the problem. His delegation thus supported the proposals on a revised EDP programme put forward by the Secretariat in document IDB.8/8/Rev.1/Add.1, which incorporated the key recommendations from the Consultant's report. The revised EDP programme outlined in that document offered improved efficiency in a framework that would contain costs within acceptable limits.

102. It was unfortunate that the resumed Programme and Budget Committee had been unable to resolve the issue, or the larger one of the approval of the 1992-1993 programme and budget. That failure to act was a mistake, and the longer the delay, the greater the risk of compounding it. It was to be hoped that, when the seventh session of the PBC resumed on 23 August, it would finally take action on the computer and on the budget. His delegation trusted that the intervening meeting of the Project Liaison Committee would remove whatever doubts existed so that the issue could be laid to rest. UNIDO must take action without delay.

103. His delegation recognized that major errors had been made by UNIDO with regard to the EDP programme. However, the Organization needed a computer to function. Avoiding a decision was not helping it and was certainly not helping the States that were the recipients of UNIDO's assistance.

104. Mr. TREMEAU (France) said that three options had been envisaged and it was surely not too much to ask that all three options should be submitted to the Member States for their consideration. The independent experts must be treated on an equal footing with the Consultant, even if their sole mandate was to provide a technical opinion. It was impossible to say whether the solution proposed was technically the best one and that it would not be out of date in a few years.

105. From a financial point of view, it was difficult to understand the assurance that UNIDO had the means to finance such an expensive acquisition at a time when it was still in a precarious financial state. That being the case,

the Member States were clearly within their rights in proposing that limits be placed upon the expenditures they did not control and that UNIDO should make more substantial savings. It was virtually impossible to trace, through the maze of the budget, the sums spent on the EDP programme. The Member States should have been given an overall and detailed picture of the amounts spent.

106. As for the legal point of view, there was a complete lack of information about the letter of intent from UNIDO to IBM Austria, dated 13 June 1991, that had been mentioned by the experts. Member States must be fully informed of all aspects of the issue, including the negotiations with IBM, about which they had already inquired more than once.

107. His delegation was not opposed to the acquisition by UNIDO of an efficient computer system; it simply wished to be better informed. If the Secretariat provided the Member States with the information they requested, the crisis of confidence that was building up could be avoided.

108. Mr. CLARK (United Kingdom) said that his delegation had joined in the statements made on behalf of the States members of the European Community, placing firmly on record their grave misgivings at the way in which UNIDO's computerization programme had been introduced and the serious errors that had been made in the process.

109. A programme originally said to cost about $US 27 million, to be met from existing resources and savings on staff costs, had risen to nearly $US 45 million in the Secretariat's revised estimates without any warning to Member States until it was too late to reconsider the contractual obligations involved. The Consultant had advised that even that figure was underestimated and that costs in the region of $US 50.7 million would be incurred if the current system were retained. His delegation noted, however, that the Consultant had subsequently revised the estimate downwards to $43 million. It shared the External Auditor's view that the budgetary information and approval requirements of the Organization had not been met. Assurances were needed that the necessary management measures were in hand to ensure that there would be no repetition.

110. The working group of independent experts that had met in February 1991 had been unable to conduct a complete analysis of UNIDO's needs, and his delegation had therefore supported their main recommendations that a consultant should be appointed to carry out that essential task. The Consultant's report clearly showed that there was a lack of central planning and management control in UNIDO on EDP matters. Taken as a whole, the report provided Member States with a basis for decision-making. The experts had recognized the basic validity of the plan of action proposed by the Consultant and had also suggested that options to the main recommendation, i.e. that the current mainframe be retained, should be considered and worked on further.

111. Clearly, UNIDO must make every effort to find worthwhile savings. In the opinion of his delegation, however, any prudent manager would have rejected the arguments advanced by the experts as far too risky and uncertain. The Programme and Budget Committee had, however, asked for those options to be worked on further before its resumed meeting on 23 August. That was acceptable, and his delegation presumed that UNIDO would be able to find the necessary money to pay the Consultant to do the work.

112. His delegation regretted that the Programme and Budget Committee had failed to reach a consensus in the previous week since delay cost money. It believed that the extra work just commissioned would confirm the Consultant's recommendations, which it had been prepared to accept in full as providing a defensible programme that was also within the appropriations proposed for EDP in the revised budget for the next biennium. If the extra work resulted in further savings, so much the better.

113. Viscount VILAIN (Belgium) said that the Deputy Director-General for Administration had reaffirmed, in his introduction, that he considered the Consultant's draft final report to be the sole possible solution. In view of the exceptional circumstances in which the debate had taken place and the decision by the Programme and Budget Committee to refuse approval of the programme and budgets because of that very problem, his delegation was disappointed by the Deputy Director-General's stand.

114. It was surprising that the Director-General did not think that the Board must take a decision without fail on the subject at its current session and that he had not regarded it as necessary to make a specific proposal to the Board. Consequently, the Member States had to make their positions known and in that context, his delegation supported the remarks made by the representative of France.

115. In view of the unusual circumstances, his delegation, with several others, had decided to introduce two draft decisions which he read out.

116. Mr. DIHEN (Hungary) said that his delegation was among those that had accepted the objectives of the strategic automation project, which had been formulated in document IDB.7/31. UNIDO needed a reliable EDP programme to go along with its new structure if it wanted to ensure working efficiency.

117. The Secretariat had made a serious mistake in that, although it had realized that the estimated costs would increase enormously, it had not made sufficient information available to the Member States on the possible financing of the programme. At the same time, the Member States had not paid close enough attention to the creation of a monitoring system, which would have made it impossible for the Secretariat to enter into negotiations on such a huge investment without previous consultation.

118. The Consultant had done some excellent work and should not be held responsible later on for something that was not its doing. The solution it proposed was a reasonable one that served the future goals of the Organization and was also cost-effective, but it was impossible to rule out the existence of other less costly alternatives.

119. The project could not be halted or redirected without damaging the Organization's image and further delay in executing it might result in increased expenses. UNIDO could not continue the project without a modern software system. The

current solution stressed the need for procuring a new software system in parallel with the replacement of the hardware, which might take place as early as 1994. A data-processing software of the fourth generation was needed. The technology proposed by the Consultant required more programming activity, and it thus seemed to be more costly.

120. Any further delays might prevent UNIDO from offering better services to its Member States, UNDP and other financial institutions or even from providing computer services for the permanent missions of the Member States in the near future. It was essential to ensure full utilization of the EDP programme on a daily basis. For that reason, a decision must be taken to enable the Secretariat to utilize the allocated financial resources at least until the fourth General Conference, and the Secretariat must take the initiative to formulate a plan to provide a solid background for future EDP work.

The meeting rose at 6.25 p.m.

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United Nations Industrial Development Organization

# Industrial Development Board

Eighth session

SUMMARY RECORD OF THE 8th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 4 July 1991, at 10 a.m.

President: Mr. TOFIGH (Islamic Republic of Iran)
later: Mr. KOSTENKO (Ukrainian Soviet Socialist Republic)

CONTENTS


| Agenda item | | Paragraphs |
|---|---|---|
| 18 | Computerization programme of UNIDO (continued) | 1 - 51 |
| 7 | UNIDO Country Director programme | 52 - 80 |
| 8 | Second Industrial Development Decade for Africa | 81 - 113 |


The meeting was called to order at 10.05 a.m.

COMPUTERIZATION PROGRAMME OF UNIDO (IDB.8/3 and Corr.2, IDB.8/5, IDB.8/6 and Add.1, IDB.8/12, IDB.8/19, IDB.8/48; IDB.8/CRP.8; PBC.7/CRP.13 and Add.1) (continued)

1. Mr. ARIAS SALGADO (Spain) said that there had been an unhappy breakdown of the spirit of dialogue and cooperation which ought to exist between the Member States and the Secretariat. He recalled that his Government had financed the participation of a distinguished Spanish specialist in the Working Group of Independent Experts set up in accordance with decision IDB.7/Dec.26. The Working Group had recommended that consultants should be engaged to study the automation needs of UNIDO (IDB.8/6, para. 27). Such consultants had been duly appointed by the Director-General, with a specific mandate, and a Project Liaison Committee had been set up, inter alia, to review and approve the contractor's reports.

2. At the outset of the Committee's meetings, serious divergences had become apparent between the preliminary report of the consultants and the report of the Working Group of Independent Experts. The basic problem had been summarized in a note communicated by the United Kingdom, Belgian and Spanish experts to the President of the Board on 23 May 1991. The authors of the communication had stated that the consultants had provided the design of information systems but not the basic data and the analysis leading to that design. The selection made clearly contradicted their own previous professional experience and the conclusions that the entire Working Group had reached in its report dated 14 February 1991. Nothing so far presented, the experts continued, gave a reasoned and well-founded argument, based on factual data, for amending the final conclusions of the experts. The debate which they had had with the consultants about machine capacity and the question of centralized versus distributed processing were at the very centre of the problem and remained unsolved.

3. The Spanish delegation did not wish to pass judgement on the consultants' findings since it believed that the mandate given to the consultants had not been complied with. It agreed with the recommendation made by the Working Group of Independent Experts to the Secretariat to the effect that the various possible technical options should be examined with due regard for their financial and legal implications. It further believed that the Working Group should continue its work with all dispatch so as to be able to submit its final report before the Programme

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and Budget Committee reconvened on 23 August. It was also indispensable for the Secretariat to cooperate with the experts to do all in its power to ensure that the negotiations with the supplying firm would result in the most favourable terms under each of the possible technical options.

4. The time had come to put an end to the general confusion which surrounded the issue. It was impossible to continue on the basis of incomplete information and views that were not in line with the mandate given to the consultants. He appealed for a serious and rigorous procedure, in a climate of professional understanding, to obtain all the facts required for the adoption of a decision which would serve the interests of the Organization.

5. Mr. PLUG (Netherlands) recalled his delegation's earlier statements concerning the initial choice of a mainframe computer and the manner in which the Secretariat had informed Member States about the implementation of the computerization programme. At the present juncture, he would merely add that, in the opinion of the Netherlands, the consultants had done an excellent job in presenting conclusions and recommendations that were pragmatic and practical, and had presented the most economical, plausible and feasible choice. In its view, the other two options, on which the resumed seventh session of the Programme and Budget Committee had requested additional information, involved greater risks as well as additional uncertainties whose financial implications could not be calculated.

6. However, his advocacy of pragmatism as a means of avoiding paralysis and his endorsement of the conclusions and recommendations of the consultants in no way signified satisfaction with the manner in which the Secretariat had handled the electronic data-processing (EDP) programme. An assurance must be given that in future the necessary management decisions would be taken in a proper and competent manner, and proper feedback provided to the Member States.

7. Mr. PAREDES PORTELLA (Peru) called attention to three points: firstly, the consultants had not complied with their mandate; secondly, no indications had as yet been given as to how the expenditures on EDP were to be covered, given the Organization's delicate financial situation; thirdly, the Board was not in possession of all the legal, technical and financial information that it required to arrive at a judicious solution.

8. The Secretariat should provide full details of the range of possibilities in respect of the contracts signed, from total renegotiation, which would imply alternative suppliers, to adjustment measures to regularize the present situation.

9. The budget for 1992-1993 should be reformulated, allowing only for an inflation rate of 8.22 per cent, and there should be a detailed breakdown of expenditure that related to EDP. Such a presentation would help Member States to come to an informed decision, and approve a specific amount of spending on the system, bearing in mind the Organization's financial possibilities and its real capacity to make use of EDP. Obviously, any endorsement by the Member States of

10. His concern was above all to secure transparency. The Member States should be informed in detail of the commitments entered into by the Secretariat so that they could determine the course of action to be followed. It was not their aim to cause confusion or seek guilty parties. Transparencies and mutual trust would enable Member States to provide for corrective action that would resolve the financial difficulties of UNIDO in a lasting way.

11. Mr. HOSSEIN ZADEH (Islamic Republic of Iran) said that the report prepared by the External Auditor (IDB.8/3) had clarified many points; he also commended the Working Group of Independent Experts, which had rightly recommended the appointment of consultants to analyse in detail the Organization's needs and establish an overall EDP development policy.

12. Although the Secretariat claimed that 30 per cent of the mainframe capacity was currently utilized, the opinion of the independent experts was that the maximum figure was 9 per cent. The experts had also found that, due to the absence of a precise design, the Organization had undertaken a commitment beyond its competence, that the automation programme was generally too capital-intensive and that too much had been invested in hardware and not enough in the Professional staff needed to make it productive.

13. Given that the ultimate goal was to provide UNIDO with specific guidelines for the development of its EDP policy within the limits of its technical, human and financial resources, he believed that the contractor's reports should make specific reference to, and include analyses and comments on, the observations set out in the report of the Working Group of Independent Experts. His delegation endorsed the Programme and Budget Committee's conclusion 1991/13, and hoped that the computerization issue, which had been obsessing the Organization for some time, would be solved once and for all: that could only be in the interest of the developing countries.

14. Mr. CONSTENLA (Costa Rica) said that, in an age of electronics, there was no doubt that UNIDO should have an efficient computer system. However, it was one thing to want a good data-processing system and quite another to accept and perpetuate a decision that had been taken without prior study and without authority. His delegation agreed with others that the Secretariat had been empowered neither by the General Conference nor by the Board to commit UNIDO financially beyond the $4.2 million which had been allocated for the upgrading of the system.

15. Costa Rica disagreed with the view that, in the circumstances, UNIDO could not legally rescind the contract with IBM Austria; it would be possible to invoke the clause relating to the impossibility of fulfilment for reasons beyond the parties' control.

16. He could not accept the argument that the present state of affairs was irreversible. It was true that there were no easy solutions, but there were intelligent alternatives. His delegation favoured a sincere attempt to find an intelligent alternative.

computerization programme had constituted one of the fundamental obstacles to endorsement by the Programme and Budget Committee of the programme and budgets for 1992-1993. The Soviet delegation had already set out its fundamental views on the issue, and for the moment it would merely call the attention of the Secretariat once again to the need to reduce still further the expenditure on the computerization programme, and to the need to provide Member States with regular, detailed and comprehensive information on the evolution of the situation, including the progress of negotiations with IBM.

18. It was to be hoped that, by 23 August, results would have been obtained that could be generally approved, thus permitting the Programme and Budget Committee to take decisions which would enable the Secretariat to set a firm course in the matter, and allowing Member States to concentrate on matters related to industrial development throughout the world.

19. Mr. VETTOVAGLIA (Switzerland) regretted the absence of serenity in the present debate; indeed, one geographical group seemed to have decided in favour of confrontation. He was grateful to the representative of Austria for having, at the previous meeting, tried to put the matter in a proper perspective.

20. The escalation of computerization costs was by no means an unusual phenomenon: he had no need to look further than his own country to find the example of a major municipal authority that had found itself faced with a bill in which the initial estimates had been multiplied threefold. But the ensuing debates had not been as virulent as those at UNIDO.

21. For its part, the Swiss delegation had accorded its confidence both to the Working Group of Independent Experts - which had had 12 members - and to the firm of consultants, and made no hierarchical distinction between the two. It had, however, noted that the latter had spent as many months on its task as the former had spent days.

22. Member States were now divided into two camps, comprising those who no longer had confidence in the consultants and those who were ready to act on the basis of their conclusions. Switzerland was among the latter. The Swiss member of the Working Group had also accepted the consultants' conclusions.

23. Concerning the three options which had been presented, he considered that "option three" represented a short-sighted and risky policy; even if it would save some $5 million, his Government could not accept it. The experts and the consultants must seek a solution within the framework of the Project Liaison Committee. He would oppose the referral of the matter to any new body. What had been done could not be undone.

24. Mr. MANSINGH (India) said that his delegation shared the serious concern expressed by others concerning UNIDO's computerization programme. Responsibilities should be determined and steps taken to avoid any recurrence of the lapses which

recommendation by the consultants and the choice of so-called "option one". Any other decision must be backed by a reasonable certainty that savings would outweigh costs and the adverse impact on the functioning of the Organization and the morale of the staff.

25. As the consultants had stated (PBC.7/CRP.13/Add.1, appendix VI), the current mainframe architecture was likely to provide the most cost-effective solution for the future. The Member States had consistently called for better and quicker response by the Organization to the accelerating pace of industrial development of the developing countries, and the capacity of the mainframe should be optimally utilized to help UNIDO fulfil its basic mandate more effectively. The consultants had made specific recommendations in that regard, and the Director-General should be urged to implement them without delay.

26. Like the Swiss delegation, the Indian delegation did not wish the matter to be referred to another expert body. It considered that the Working Group of Independent Experts had ceased to exist with the submission of its report, and that the expression of any opinion on the matter by any of its members should be treated as strictly personal.

27. Mr. Kostenko (Ukrainian Soviet Socialist Republic) took the Chair.

28. Mr. TAIANA (Argentina) supported the proposals made by the representatives of Spain, France, Chile and Belgium. He suggested that, on 23 August, the Board should resume its eighth session and that all necessary information should be provided to enable it to reach a conclusion on a problem that was holding up the work of the Organization.

29. Mr. KHERBI (Algeria) appealed to the Board to take a decision on a matter that had already been extensively debated. In computer projects, competitiveness alone should be the decisive factor.

30. At the meeting of the Project Liaison Committee scheduled for July, there would be a need for complete clarity. He hoped that the Secretariat would meet the expectations of Member States in that regard.

31. A number of draft decisions had been put forward containing ideas which his delegation approved; a small group should perhaps be set up to formulate a draft decision for submission to the Board.

32. Mr. SCHAAD (Germany) supported the position of the United Kingdom, Netherlands and Austrian representatives. It was time for the Board to come to a decision. Option one provided a good basis for solving the EDP problem, with the necessary finance, although the position of those who had difficulty with it would have to be taken into account. It was important to agree on a budget at the next General Conference session, and a recommendation had to be made by 23 August.

34. Mr. Tofigh (Islamic Republic of Iran) resumed the Chair.

35. Mr. SIAZON (Director-General) said that it was quite clear that all agreed that it was time to find the best technically and politically acceptable option.

36. In his opening statement to the Board he had consciously refrained from going into the different alternatives considered by the Working Group of Independent Experts and the consultants. He had merely emphasized the importance of an early decision on the matter so that the budget might be agreed upon at the resumed session of the Programme and Budget Committee on 23 August.

37. Because of procedural requirements, the Secretariat, in preparing the revised programme and budget which had been considered at the last session of the Programme and Budget Committee, had had to base its proposals on what at that time was apparently the best option, namely the one provided by the consultants. Today, based on the information available, that course still seemed to be the best one; however, the Secretariat was not committed to any of the three options and if it were demonstrated as a result of the meeting of the group of experts and consultants on 31 July that another option was better, that option should be adopted.

38. He assured the representative of Spain that the Secretariat understood his position and agreed that the group of experts and consultants would have to examine options one, two and three in detail. The Deputy Director-General for Administration, in his introductory statement based on the information available at present, had indicated that option one seemed the most viable option; but, since the Project Liaison Committee would meet on 31 July, the door was still open. He was also requesting bridging finance of approximately $2.56 million to meet the obligations of the EDP programme until the end of the year.

39. He assured members of the Board that the Secretariat was not a party to the differences of opinion between the experts and the consultants. It would be very happy if an agreement could be reached as soon as possible.

40. The letter of intent signed by the Secretariat with IBM was merely an indication that the Organization could agree to some give-and-take, subject to the approval of the policy-making bodies of the Organization, namely the Board and the Programme and Budget Committee. Members of the Working Group could see the letter of intent, which was available in the office of the Legal Adviser.

41. All the members of the Working Group had had access to every document relating to the EDP programme. The Secretariat was prepared to be transparent within the limits possible under existing regulations and without entering into conflict with the competence of the External Auditor, the extension of whose mandate the Programme and Budget Committee had just recommended.

42. He assured the Board that his concern was to promote the interests of the Organization and to

delegation would be prepared to endorse a possible

draft resolution on the basis that it would be best to adopt a "near zero solution" in view of budgetary possibilities and the need to avoid a deficit. There should be a maximum ceiling on assessed contributions that should not exceed reasonable inflation.

44. Viscount VILAIN (Belgium) thanked the Director-General for his useful statement, which had cleared up some important points.

45. His delegation welcomed the suggestion of the representative of Algeria for a group to discuss the draft decisions, and would be happy to join such a group.

46. Mr. GUTIERREZ LEYTON (Chile) thanked the Director-General for his explanations, which had clarified the position. His delegation was, as always, prepared to adopt a flexible approach to any solution. He welcomed the apparent agreement that there must be no further delay, but feared that there had been some misunderstanding, since the Legal Counsel had not made all the information available.

47. Mr. ARIAS SALGADO (Spain) also considered that the Director-General's statement had clarified matters.

48. He supported the Algerian suggestion to set up a group, which would be open to all interested members, to draft a decision for the Board on item 18 of its agenda.

49. Mr. WARNER (Deputy Director-General, Department of Administration) said that the group of experts and consultants had been engaged in an active dialogue parallel with the Board's discussions. It was looking into the possibility of merging various components of the different issues while taking into account the cost-benefit element.

50. The concern of the experts and consultants was that the operation should be supported so that there should be no hiatus and no extra cost as a result. All options would be based on the report of the External Auditor.

51. With regard to the continued interest expressed in legal issues, he assured the Board that the Working Group of Independent Experts had had access to all contractual documents, that the file remained open to the members of the Working Group and that he knew of no pertinent document that was missing. He would be happy to hold informal discussions with any interested parties to clarify the matter.

UNIDO COUNTRY DIRECTOR PROGRAMME (IDB.8/27)

52. Mr. WIESBACH (Deputy Director-General, Department of Programme and Project Development) introduced the report of the Director-General on the UNIDO Country Director (UCD) Programme (IDB.8/27). At the time the report was being prepared, the final decision of the UNDP Governing Council had still not been known. Subsequently, the subject had been discussed by the Budget and Finance Committee of the UNDP Governing Council in New York on the basis of the UNDP Administrator's report. Both the Administrator's report and the decision of the Governing Council had been distributed to all

UNDP Governing Council:

(a) The UNDP contribution to the UCD programme would total $3.8 million a year, representing, if computed for the whole period of the fifth cycle, a total of $19 million or an increase of $3 million over the fourth cycle;

(b) The Governing Council's decision would be reviewed in two years as part of the evaluation of the new support cost arrangements;

(c) The Governing Council had invited the Board to consider the question of financing for the UCD programme in the light of those new support cost arrangements.

54. The amount allocated under UNDP sectoral support would not be sufficient to cover even the 29 posts currently financed by UNDP, so that the programme would eventually have to be curtailed.

55. The Director-General had, in the same document, drawn the Board's attention to the possible adverse effects of the UNDP decisions on the operational budget, which was the second-largest source of financing for the UCD programme. In that connection, it should be pointed out that under the 1992-1993 budget it was proposed to finance 10 UCD offices from the operational budget.

56. In the light of those facts, it was unlikely that the current number of 38 posts could be maintained throughout the cycle, and eventually the posts would have to be redistributed to match the available resources. However, it would be possible, for the period 1992-1993, to maintain the same level because of the savings achieved in the recent past under the UNDP-financed programme due to delays in the recruitment of UCDs.

57. Whether the UCD programme could be maintained and even extended would largely depend on voluntary contributions from Member States to host UCD posts, cover local operating costs or meet the full cost of certain offices. To date, only Germany and Italy had made voluntary contributions.

58. UNDP and UNIDO would review the Memorandum of Understanding governing the integration of UCD offices in the UNDP field offices later in the year. That review would be greatly facilitated by the results of three regional meetings of UCDs held in the African, Latin American and Caribbean and Asian and Pacific regions.

59. On the question of the Junior Professional Officer (JPO) programme, referred to in chapter VI, paragraphs 18 and 19, of the annual report (IDB.8/10), he expressed his deep gratitude to the 11 countries that had donated the services of some 21 JPOs in 1990. Those enthusiastic and active young people were an essential element in the Organization's field representation programme. On more than one occasion, former JPOs had been recruited for regular posts in UNIDO, where because of their field experience they had proved particularly valuable.

60. Mr. PLUG (Netherlands), speaking on behalf of the member States of the European Community, noted that document IDB.8/27 was one of the many documents that had been received late.

61. The member States of the European Community offices within the UNDP field offices. They also welcomed the fact that the number of UCD posts established in 1990 had reached a record peak of 39, although that was still far short of the target of 50 posts. There was concern, however, that, for the fifth cycle, the UNDP sectoral support allocation of $19 million would permit the financing of only 19 UCD posts on an annual basis. No further reductions in the present level of those posts was acceptable.

62. The position of the European Community countries was that it might be necessary to find additional sources for financing the programme, including funding from the regular budget. The current number of 39 posts had, at the very least, to be maintained and the number of vacancies kept to an absolute minimum and not, as appeared to be the case, regarded as an appropriate means of effecting budgetary economies.

63. For those reasons, the member States of the European Community called on the Secretariat to redeploy funds within the regular and operational budget to the UCD programme by, among other things, reducing the resources allotted to the New York and Geneva Liaison Offices. They called on host countries in a position to do so to cover at least the local office costs of such posts, and urged donor countries to allocate part of their voluntary contributions to the programme.

64. Unless action were taken on an urgent basis, UNIDO's operational capabilities would be seriously jeopardized. The member States of the European Community wished to hear from the Director-General about the steps he intended to take in order to maintain the current level of UCD posts.

65. Mr. ØSTERGAARD-ANDERSEN (Denmark), speaking on behalf of Finland, Norway, Sweden and Denmark, said that the views expressed in the statement made by the representative of the Netherlands on behalf of the member States of the European Community were fully shared by those countries.

66. Ms. TEPATANAPONG (Observer for Thailand), speaking on behalf of the members of ASEAN, namely Indonesia, Malaysia, the Philippines and Thailand, said that the ASEAN countries noted with concern the Director-General's report on the UCD programme. They acknowledged that he had made strenuous efforts in his negotiations with the Administrator of UNDP regarding the financing of the programme by UNDP during the fifth programming cycle. It was generally recognized that UNDP's position regarding the increase of sectoral support funds for the programme was still rather rigid.

67. Her delegation wished to emphasize that, while maintaining the system of shared financing with UNDP, the number of UCD posts should be increased to 50 in the long run, and that a reduction in the existing number was not acceptable in any circumstances.

68. Alternative sources of funding were the operational budget, the regular budget and voluntary contributions by donor countries. A budget increase would be a burden for Member States, and particularly the developing countries. However, one extra UCD post to be

limits, despite its serious financial implications, and the ASEAN delegations considered it a necessary measure to cope with the current problem. It should be stressed that UNIDO's operational budget would not be able to support more than 10 UCDs, and it would therefore be appreciated if details regarding that suggestion, including the financial implications, were made available in due course.

69. It was likely that the level of general-purpose contributions to the Industrial Development Fund, particularly from host countries, would not increase, a situation which would affect a number of projects to be financed from the Fund and should therefore be brought to the attention of UNDP when the programme was reviewed at a future date.

70. Mr. OKUTU (Uganda) said that his delegation welcomed the decision of the Governing Council of UNDP to continue support for UNIDO by helping to finance the UNIDO Country Director programme. The programme was very important to developing countries in providing assistance for the technical cooperation activities of the United Nations system in the industrial sector and ensuring a continuous channel of communication between field activities and UNIDO Headquarters. His delegation noted with disappointment that, despite the nominal increase of 18.8 per cent in the sectoral support funding to be received from UNDP, UNIDO would not be in a position to achieve the target of 50 Country Director posts by the end of 1996, let alone maintain the current 29 posts. Uganda joined the Director-General in requesting Member States, both developed and developing, to assist the financing of Country Director posts through voluntary contributions so as to enable that target to be met.

71. Mr. CONSTENLA (Costa Rica) said that every effort should be made to maintain at least ten UCD posts from the operational budget, but that the Director-General should consider the possibility of strengthening the programme within available resources by reassigning posts from UNIDO Headquarters. In general his delegation felt that the UCD programme should be more independent of UNDP, and that it should not be financed solely from voluntary contributions.

72. Mr. SCOULAR (United Kingdom) wondered what had happened to funding for the UCD programme after December 1993.

73. Mr. AFANASIEV (Union of Soviet Socialist Republics) said that his delegation had consistently supported the UCD programme in the sessions of the Board and those of the UNDP Governing Council. However, the Secretariat should examine both the resources available to the programme and the role of the UCDs in the light of the relatively recent linkage with UNDP, which might be considered as in some measure limiting their independence. The possibility of increasing their numbers, using funds from the operational budget, should also be considered. The issue would, of course, have to be reconsidered in 1993 during negotiations with UNDP on the future of the programme with a view to determining what resources would be available from UNDP. In any case, it should be understood that no proposals relative to the programme should lead to an increase in the regular budget of UNIDO.

74. Mr. TALUKDAR (Observer for Bangladesh) said that his delegation associated itself with the request that the Director-General should explore ways and means of finding funds for an increased number of UCDs from the operational budget and approach Member States for additional resources in order to attain the target of 50 UCDs by 1997.

75. Mr. WIESEBACH (Deputy Director-General, Programme and Project Development), replying to a question raised by the representative of the Netherlands, said that he was unaware of any case in which a post had been kept vacant for budgetary reasons. Such vacancies arose largely because of the complex recruiting procedures involved and the often lengthy period required to reach agreement with UNDP on suitable candidates.

76. Alternative sources of funding for the programme, and its long-term financing, had been considered in a document submitted to the last session of the Programme and Budget Committee. However, it was difficult to see how the programme could be expanded without an increase in either the operational or the regular budget, unless voluntary contributions were stepped up.

77. The prospects for the period beyond 1993 were still unclear, since the UNDP Governing Council had yet to take decisions in that regard, but the situation would be kept closely under review, and Member States themselves would be responsible for ensuring that a proper balance in the allocation of resources was achieved.

78. Mr. SIAZON (Director-General) said that the problem of financing for the UCDs was by no means new, and that in 1986-1987 the programme had been funded from the regular budget, a situation which had caused some disagreement on the budget. Delegations, however, had not always been consistent in their views on the issue, and it was clear that there was no consensus on funding from the regular budget. Any expansion in the programme, it should be pointed out, would entail suspension of the zero growth principle.

79. Regarding the suggestion that the New York and Geneva Liaison Offices could be closed to free funds for the programme, he noted that those Offices were financed from the regular budget. It should also be pointed out that staff from the New York Office had attended 140 meetings in 1990 on behalf of UNIDO and that it would have been extremely expensive to send staff from UNIDO Headquarters for that purpose. The New York Office was also responsible for maintaining close contacts with the United States Government, whose contribution made up 25 per cent of the regular budget of the Organization. The Geneva Liaison Office maintained close links with ILO and other relevant organizations and provided a valuable information service for the missions of the developing countries in Geneva. The problem with the proposal that staff from UNIDO Headquarters could be reassigned as UCDs was that insufficient staff were available, and that the costs incurred by the acquisition of additional office space would deplete the already modest funds available for the programme. The possibility was, however, being considered. If such assignments were introduced it would be on the understanding that they were mandatory and not, as was currently the case, voluntary, and that they would be of approximately three years' duration.

80. The CHAIRMAN said that the Board had concluded its consideration of the item, but would take a decision on it at a later stage.

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.8/23)

81. Mr. WIESEBACH (Deputy Director-General, Programme and Project Development) said that, in utilizing the sum earmarked for the preparation of the programme for the Second Industrial Development Decade for Africa (IDDA), under the supplementary activities component of the IDDA programme for 1990-1991, UNIDO had provided support to 37 African countries by recruiting international consultants and making available the services of UNIDO experts and staff members. They had worked in close cooperation with local experts in preparing national programmes. As of mid-June 1991 programmes had been completed for 46 countries. During the reporting period, subregional programmes for the Second Decade had been prepared on the basis of the results of two subregional meetings organized by UNIDO in cooperation with the Economic Commission for Africa (ECA) and the major subregional organizations.

82. Using the national and subregional programmes as inputs, UNIDO, with the assistance of consultants, had prepared the first draft of the programme for the Second Decade. After revision by the secretariats of the Organization of African Unity, ECA and UNIDO, the draft had been finalized by the Working Group of Governmental Experts established by the Conference of African Ministers of Industry at its ninth meeting. The final draft programme would be presented to the Conference of African Ministers of Industry for adoption at its tenth meeting, scheduled for the end of the month. Following its adoption, UNIDO would continue to assist African countries and subregional organizations in its implementation and in coordinating the programme with the country and regional programmes of the fifth UNDP programming cycle and with other sources of industrial development funds. An important step in that regard would be the first Inter-Agency Consultative Meeting on the Programme for the Second IDDA, to be held in Vienna in the autumn of 1991.

83. He was confident that UNIDO and the African countries, having learned from the experience of the First IDDA, would work together effectively to ensure that the Second Decade had a positive impact on the industrial development of Africa.

84. Mr. MOHAMMED (Nigeria), speaking on behalf of the African Group, said that the delegations of the African Group noted from the progress reports contained in document IDB.8/23 that UNIDO had provided assistance to 38 African countries and the subregional organizations for preparation of their national and subregional programmes for the Second Decade, while the Economic Commission for Africa had provided assistance to 42 countries in the form of experts. All those efforts had resulted in the completion, by mid-April 1991, of 48 national programmes.

85. Many African countries had instituted structural adjustment programmes aimed at revitalizing their economies. However, the prospects for economic growth and industrial deteriorating terms of trade, low commodity prices, the net outflow of capital resulting from the debt burden and the recessionary trend in the global economy, over which the African countries had no control. It was now generally recognized that the structural adjustment programmes would not have any lasting effect without support from the external economic environment. For that reason, the African countries called once again on the international community to demonstrate greater understanding of the particular needs of the African contintent through increased assistance, on an urgent basis, in human resources development and the acquisition of appropriate technology and a substantial increase in the flow of financial resources.

86. The Treaty establishing the African Economic Community, recently signed at Abuja, Nigeria, demonstrated the African countries' commitment to establishing a firm foundation for economic growth and development through the integration of their economies. Such efforts would come to nothing, however, without concrete and practical support from the international community.

87. It was noteworthy that virtually all the national programmes submitted by the African countries emphasized accelerated and self-sustained industrial development and that they accorded high priority to a specified range of industries. Emphasis had also been placed on small- and medium-scale industry, the development of human resources and entrepreneurial capabilities, and greater participation of the private sector in industrial development. The African Group agreed with the Secretariat's proposal (IDB.8/23, para. 17) that the existing industrial cooperation programmes, documents and reports adopted at previous subregional meetings, updated in cooperation with the relevant intergovernmental organizations, should be used as the basis for the subregional programme for the Second Decade.

88. He commended the Secretariat for strengthening the IDDA Coordination Unit within the Secretariat. Inclusion of IDDA-related programmes in the medium-term plan was recognized, and UNIDO should strengthen its relations with other relevant institutions, such as the World Bank, the African Development Bank and the United Nations Development Programme for the mobilization of financial resources for the programmes and activities envisaged for the first biennium of the Second Decade. In the interests of promoting greater awareness of the Decade, the African countries had recently proclaimed 20 November as Africa Industrialization Day. An annual event first celebrated in 1990, it would help to ensure the success of the Second IDDA.

89. As members of the Board would be aware, the Conference of African Ministers of Industry had been unable to meet as scheduled earlier in 1991, due to circumstances beyond the control of the Ministers. The meeting had, however, been rescheduled and would now take place in Dakar, Senegal, from 29 to 31 July for the purpose of approving the "zero draft" programme which had been prepared in close collaboration between African Governments, UNIDO, ECA and OAU, with inputs from the World Bank and the African Development Bank.

90. In conclusion, the African Group asked that

of the resumed session of the Board so that the Board would have the opportunity formally to approve the programme.

91. Mr. PLUG (Netherlands), speaking on behalf of the member States of the European Community, said that Africa was still as poor as it had been 30 years before; the three intervening decades had witnessed a waste of human potential and suffering which defied the imagination. Structural changes in southern Africa - the independence of Namibia, the peace process in Angola and new policies in South Africa - might provide some basis for development, but much remained to be done. The continent's long-term problems called for long-term solutions aimed at sustainable growth: a market-oriented economy, participatory and accountable government, institutional pluralism and investment in people were essential if that was to be achieved.

92. The Community and its member States had vigorously promoted technical assistance to Africa. In view of the disappointing results of the First Industrial Development Decade for Africa (IDDA), they believed that the Second IDDA must improve on what had been done previously in implementation of agreed policies. Africa must remain a geographical priority in UNIDO's work. While welcoming the restructuring which had taken place in 1990 of the Secretariat's Coordination Unit for IDDA, the Community countries stressed that it must be followed by practical steps directed towards technical cooperation in the field and the creation of local capacity for self-sustaining development. Because of the large number of bodies involved in the Second IDDA, coordination between the Organization and other bodies, as well as consultation with recipient countries, was indispensable. The primary need, however, was for less talk and more action.

93. Mr. AIT HMID (Morocco) commended the Secretariat for its action to further the implementation of the programme for the Second IDDA. He felt sure that it would spare no efforts to ensure the success of the Decade. His delegation urged the Secretariat to accelerate the preparation of the projects proposed for the Second IDDA programme so that they would be ready for immediate implementation upon approval by the tenth meeting of the Conference of African Ministers of Industry later in the month. He had noted with interest the satisfactory results achieved by the international and local experts who had assisted Governments in the preparation of national programmes for the Second IDDA and stressed the importance of taking greater advantage of the skills of African national experts in the implementation of the programme. His delegation welcomed the programme arrangements being pursued by UNIDO with UNDP, the World Bank, the African Development Bank and other institutions. It supported the proposal made by the representative of Nigeria.

94. Mr. SUN Jie (China) noted with satisfaction the importance attached to the Second IDDA in the programme and budgets of UNIDO for the 1990-1991 and 1992-1993 bienniums and in the draft medium-term plan, 1992-1997. It was regrettable that financial difficulties had forced the Secretariat to postpone action connected with the programme for the Second IDDA which should have taken place in 1990. Because of the disastrous economic situation facing most African countries, he requested the Secretariat to take all necessary steps, including the mobilization of financial resources, to give them further assistance in planning and implementing the programme. China would make its own contribution to the Second IDDA.

95. Mr. RAHMAN (Sudan) thanked the Secretariat for the cooperative action involving African Governments, the Organization of African Unity and ECA which had led to the preparation of the zero draft programme for the Second IDDA. His delegation was also gratified at the Secretariat's efforts to mobilize financial resources for the Second Decade from international and regional institutions such as the World Bank and the African Development Bank. The Secretariat should continue that process. Despite its natural and human resources, the African region was highly underdeveloped owing to a lack of competent manpower and because of financial poverty caused by its heavy burden of external debt and the fall in commodity prices. The countries of Africa, which included most of the world's least developed countries, were nevertheless determined to exploit its resources fully in order to meet their peoples' needs and enable the continent to play its proper role in the world. To that end, his delegation hoped for successful results from the Second IDDA and moral and financial support for it from UNIDO and the international community as a whole.

96. Mr. BOKONGA (Zaire) said that he supported in full the statement made by the representative of Nigeria on behalf of the African Group.

97. He wished to thank Mr. Wiesebach for his clear introductory explanation to document IDB.8/23 containing the report on the Second Industrial Development Decade for Africa. That report made it clear that the Secretariat had fulfilled its mandate, since the programme for the Second IDDA had been prepared according to the timetable established for that purpose by the Conference of the African Ministers of Industry and in accordance with the relevant resolutions and decisions.

98. He was particularly gratified that 46 of the 50 African countries had prepared their national programmes and that the main intergovernmental organizations had drawn up their subregional programmes. Nevertheless, the best programmes would be of no avail if they were not followed by practical measures. His delegation therefore urged the Secretariat to do everything necessary to assist the African countries and their intergovernmental organizations in implementing their programmes for the Second IDDA. He welcomed the initiatives already taken by the Secretariat to mobilize technical and financial resources. The Secretariat should step up the negotiations and consultations in progress with a view to securing the support of the international financial institutions for the Second IDDA programme. Similar representations should be made to the national and subregional development banks in Africa.

99. Since only $8.6 million was allocated to the IDDA programme, the resources should be used as "seed money". Other forms of financing should also be explored, such as the special trust fund formula, and there should be particular emphasis on investment promotion, with serious efforts made to ensure effective follow-up to investment forums and other similar activities.

100. In view of Africa's immense requirements, the Secretariat should endeavour to mobilize resources from other sources, including voluntary contributions. He wished to propose that the Secretariat should be authorized to establish a special account for voluntary IDDA contributions. That formula seemed all the more worthy of consideration since the unrealistic principle of zero growth was continuing to impose artificial limits on budgetary resources at a time when requirements were steadily increasing and assistance requests were on the rise in both quantitative and qualitative terms.

101. As important as financial resources were human resources. As part of its strategy for assisting in the implementation of the IDDA programme, UNIDO should ascribe high priority to the development and use of the African skills. Stress should be laid on endogenous technological development, the emergence of an African industrial entrepreneurial class, the development of an African private industrial sector, the involvement of women in the industrial development process, the preservation and management of the environment and subregional cooperation. The right kind of industrial policies had to be put in place so as to contribute to the creation of a propitious climate for the establishment of priority industries, as called for in national and subregional planning for the Second IDDA.

102. The IDDA programme represented an important contribution to Africa's response to the many challenges facing the continent's development efforts. The African countries were mobilized around the Decade, as indicated by the many national programmes that had been drawn up.

103. Now that the programme for the Second IDDA was about to enter its implementation phase, his delegation hoped that the Secretariat would provide the human, material and financial resources necessary to see the programme through to a successful conclusion, and that it would approach that task with the same efficiency as it had shown in the formulation of the programme. In that connection, he had noted that, for the first time, the rate of delivery for the programme's technical assistance component had approached 50 per cent during the first year of the biennium. It was to be hoped that the necessary measures would continue to be taken to ensure that the total budget allocated for the 1991-1992 biennium was fully used.

104. Mr. AFANASIEV (Union of Soviet Socialist Republics) said that document IDB.8/23 reviewed the Secretariat's activities during the most crucial period of preparation of the programme for the Second Industrial Development Decade for Africa. It did not, however, give a clear account of the results of the First Decade; nor did it indicate which countries would receive technical assistance or what criteria would be used.

105. In his delegation's view it was essential that the programme for the Second Decade should take into account not only the United Nations Programme of Action for Africa and the Lagos Plan of Action but also the views of the recipient countries, which had made a very substantial and constructive contribution to developing new conceptual approaches to solving Africa's industrial development problem. Those approaches were in line with his own country's current policies in such areas as restructuring, privatization, development of human resources, effective use of energy resources and environmental protection.

106. His delegation noted the close cooperation between UNIDO, OAU and ECA in preparing the programmes and projects, particularly at the subregional level, for the Second Decade. Such cooperation should be expanded, and it could scarcely be regarded as sufficient, if projects were to be implemented, to establish units responsible for Decade-related matters in only three international organizations, namely the World Bank, UNDP and the African Development Bank.

107. The documents submitted by the Secretariat failed to indicate how UNIDO and the Governments concerned were going to implement the programme for the Second Decade. There was need for a more thorough study of the machinery required to ensure implementation of the planned activities, since the lack of such machinery had been partly responsible for the cancellation of many components in the programme for the First Decade. Nor did the document provide information on the resources which would be available as a result of the measures referred to in paragraphs 24-25 of document IDB.8/23. In his delegation's view, greater attention should be paid to the search for external sources of financing, such as business and financial organizations.

108. Mrs. TALLAWY (Egypt) said that Africa was in greater need than ever before of help from the international community in overcoming its growing problems: suffering caused by hunger, ignorance and disease - a situation compounded by natural catastrophes and wars - as well as heavy indebtedness and a lack of the physical and human infrastructure necessary for growth. The First IDDA had not achieved the desired results because of mismanagement and the unavailability of the funds earmarked for it. Since sound implementation of the programme for the Second IDDA could have practical benefits for African countries, UNIDO must not fail again to discharge its responsibilities towards them. Her delegation was satisfied with the preparations which had been made for the Second IDDA and looked forward to the adoption of the programme at the tenth meeting of the Conference of African Ministers of Industry.

109. In 1986 and 1987, because of the Organization's financial crisis, resources earmarked for the First IDDA had been used to pay staff salaries. A similar situation prevailed at present and under no circumstances must funds earmarked for the Second Decade be used for that purpose again.

110. Mr. KHERBI (Algeria) said that the statement made by the representative of Nigeria had expressed the standpoint of all the countries of the African Group on the issue of the Second IDDA. He warned the Board and the Secretariat against continuing to treat the question of African industrial development in a perfunctory manner by repeating what had been said on the subject before and by congratulating themselves on the little which had been done to further

the industrialization of Africa and to help overcome the continent's disastrous plight.

111. The programme for the Second IDDA was a challenge; the proper course for the Board would be to say explicitly whether the funds allotted to the programme were sufficient for that challenge to be met. Within UNIDO there was an overwhelming shortage of human resources for meeting the requirements of the programme, and in any event the IDDA programme in itself would not produce industrialization in Africa. Financial resources needed to be mobilized for that purpose from organizations such as the World Bank and other international financial institutions, from special trust funds and from the private sector. Moreover, resources should be redeployed from UNIDO Headquarters to the field; in other words, there should be a UNIDO unit in Africa itself.

112. Despite its shortcomings, the programme for the Second IDDA was essential for Africa. The Secretariat should if necessary adapt the programme to meet the conclusions which would be expressed on the subject by the Conference of African Ministers of Industry, and thereafter the Board should approve the programme at a resumption of its present session.

113. Mr. WIESEBACH (Deputy Director-General, Department of Programme and Project Development) said that the resources earmarked for the IDDA programme were already being used as "seed money" in the manner advocated by the representative of Zaire. The Inter-Agency Consultative Meeting on the Programme for the Second IDDA should prove instrumental in mobilizing resources for the IDDA programme. The Soviet Union representative had asked about the mechanism for implementing it; that point had been covered in the zero draft programme which would be considered by the Conference of African Ministers of Industry. The Board would receive a report in due course on the views expressed by the Ministers on the draft programme.

The meeting rose at 1.10 p.m.